



CITY COUNCIL/ELECTRICAL
ADVISORY COMMITTEE

June 8, 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

Catherine Bonifas Civic Center: 225 North 21st Street - Escanaba, MI 49829

Meeting Agenda

Wednesday, June 8, 2011

CALL TO ORDER
ROLL CALL
APPROVAL/ADJUSTMENTS TO MINUTES
APPROVAL/ADJUSTMENTS TO THE AGENDA
CONFLICT OF INTEREST DECLARATION

NEW BUSINESS

- 1. Update - Electric Department – Distribution Operations.**
Explanation: Electrical Superintendent Michael Furmanski will discuss current departmental activities and operations.
- 2. Update– Operation and Maintenance of Power Plant – Pro Energy Services, Inc.**
Explanation: Administration will update the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the Operation and Maintenance transition with Pro Energy Services, Inc.
- 3. Update – Great Lakes Utilities Membership.**
Explanation: Administration will lead a discussion on the timing of becoming a member of Great Lakes Utilities. GLU is requesting that the City become a member by January 1, 2012, as part of receiving MISO Market Agent Services.
- 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 Asset Sales and Purchase Agreements being developed for the sale of the Power Plant.

5. 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.

6. Update – Coal Supply/Coal Delivery.

Explanation: Administration will update the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the current coal supplies and future coal deliveries.

7. 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
Wednesday, May 11, 2011

Pursuit to a special meeting posted May 5, 2011, the meeting was called to order by the Mayor Gilbert X. Cheves at 6:03 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 (arrived at 6:06), Council Members Patricia A. Baribeau, Pete Baker, and Brady L. Nelson.

Absent: None.

Present: Electrical Advisory Committee Members: Chairman Ronald Beauchamp, and John Anthony, Larry Arkens, Glendon Brown, and Don Racicot.

Absent: One Vacancy, Ann Bissell, Tim Wilson

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.

Minutes from April 13, 2011, were approved by Council at the May 5, 2011, regular Council Meeting. Members having any further questions were asked to contact City Clerk Richards.

Nelson 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.

The Power Plant Manager Jerry Pirkola discussed current plant operations, plant maintenance issues and costs associated with the operation of the facility. Mr. Pirkola also reviewed events which transpired Tuesday, May 10, 2011, regarding the Upper Peninsula Blackout caused by Thunderstorms which went through Northern Wisconsin. The following was the discussion regarding the Tuesday Blackout:

- The Blackout was caused by an ATC Transmission line down for maintenance, and the remaining two transmission lines were knocked out of service due to a lightning strike;

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May 11, 2011 – cont.

- The City of Escanaba Power Plant was shut down for maintenance. The City was purchasing power from the Electrical Grid. The Escanaba Power Plant Unit 1 was down for scheduled maintenance, Unit 2 was out of service to perform circulation water pipe cleaning on both units #1 & #2 to clean out any zebra mussels, switch gear electrical inspection, as well as annual State required Boiler inspection;
- Board Members received information regarding blackout procedures, and the required permission to start the CT Unit;
- Reviewed information regarding a dead bus, and the communication procedure required to contact MISO and ATC to start the CT Unit and to put it online;
- Members were provided a map of the Power lines of the UP which showed where the outage occurred, and where the power lines were struck by lightning;
- Discussed lessons learned, and need for better phone communications and procedures at the Power Plant.

Update - Electric Department – Distribution Operations.

Electric Superintendent Michael Furmanski discussed current departmental activities and operations. Items reviewed were the following:

- M-35 Lighting project;
- Report on Power Costs.

Update– Operation and Maintenance Transition – Pro Energy Services, Inc.

PSE Consultant Tom Butz and City Administration updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the Operation and Maintenance transition with Pro Energy Services, Inc.

- Representatives of Pro Energy Services advised they expected a labor contract with current Power Plant employees late next week;
- Tom Butz reviewed the coordinating list regarding Plant O&M Transition. (See Attachment – A);

Manager O'Toole reviewed, as part of the transition period with Pro Energy, a proposal from Pat Fulcher, a former UPPCO Plant Manager Employee, to be the City representative during the transition period at the City Power Plant. As the City representative, Mr. Fulcher would receive \$55/hr, standard mileage and travel, and \$1,200 retainer fee.

Baker moved, Nelson seconded, City enter into Professional Services Agreement with Pat Fulcher based on the terms received in the memo dated May 11, 2011.

Upon a call of the roll, the vote was as follows:

Ayes: Baker, Nelson, Evans, Baribeau, Cheves

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Nays: None

MOTION CARRIED.

Discussion - MISO Market Agent Provider.

Administration discussed a Great Lakes Utilities proposal on the possibility of becoming a member of Great Lakes Utilities and having them act as our MISO market agent services with the upcoming transition from the Upper Peninsula Power Company to Pro Energy Services, Inc.

PSE Consultant Tom Butz updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on information regarding a MISO Market Agent Provider. (See Attachment – B) Based on information still needed, no decision was made at this time.

Update– Sale of Generation Facilities Proposal(s).

Manager O'Toole updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the Asset Sales and Purchase Agreements being developed for the sale of the Power Plant. Still need further information before any decision could be made. The City's Attorney was still reviewing proposals received for transition.

Update – Environmental Work Plan.

Manager O'Toole updated 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. Manager O'Toole stated Mr. Berry and the City met with the Michigan Department of Environmental Quality (MDEQ). Based on discussions with the MDEQ, Mr. Berry suggested the City put in monitoring wells. Mr. Berry's proposal was for \$10,900. Mr. Berry reviewed the following:

- Mr. Berry advised, from their meeting, the MDEQ's only concern was the possibility that metal levels would leach through the ash site getting into the waters of Bay de Noc;
- Ash storage was done prior to 1979, so MDEQ had no authority over the site;
- Based on the proposal, Mr. Berry recommended a series of 6 monitoring levels wells for a year sampling and proceed based on what, if any, was found;
- It was emphasized the monitoring wells was not a requirement, but was recommended because a new buyer would require a base line environmental review. The best case, no other work need be done if metal levels were not leaching into ground water. Remediation would require capping of the land;
- Only other issue was possible contamination on fuel storage site. MDEQ not involved, City should just remove the soil.

Evans moved, Baker seconded, to approve a proposal from Mountain Engineering,

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Inc. for Ground Water Assessment at the City Power Plant Site in an amount not to exceed \$10,900.

Upon a call of the roll, the vote was as follows:

Ayes: Evans, Baker, Nelson, Baribeau, Cheves
Nays: None

MOTION CARRIED.

Update – Coal Supply/Coal Delivery.

Electric Superintendent Mike Furmanski updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the recently approved coal bid. (See Coal Inventory Report Attachment – D)

- Discussed concern on the need for additional coal if it were needed;
- Concern of timing issues needed to order additional coal.

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

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 took place on future options being investigated by the Administration in securing reliable, long-term power.

GENERAL PUBLIC COMMENT - None

COUNCIL/COMMITTEE, STAFF REPORTS

- Council Member Baker commented on concerns and needs of an after action review so another blackout would not occur in the City similar to Tuesday, May 10, 2011.

ADJOURNMENT

Hearing no further public comment, or further reports from the Electrical Advisory Committee and Council, the meeting adjourned at 7:17 p.m.

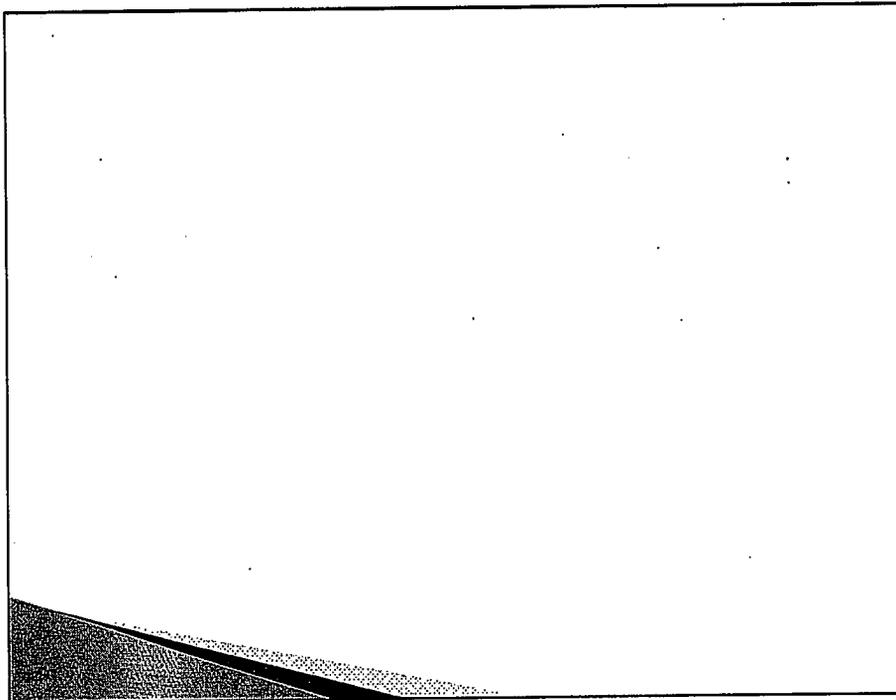
Respectfully submitted,

Robert S. Richards, CMC
City Clerk

Approved: _____
Gilbert X. Cheves, Mayor

Agenda Item 3 Plant O&M Transition

- ▶ Labor Contract / Staffing
 - Meetings Today - Seeking Closure Early Next Week
- ▶ Changes at the Plant
 - Replace UPPCO Personal Computers
 - Environmental Reporting /Regulatory Notification
 - Replace Some Office Equipment
 - Replace Phone Lines & System/Data Communication
- ▶ MISO Market Interaction
 - Maintain MISO Market Agent Initially
 - Maintain Market Operations
 - DEMAXX System Removed - Need Replacement



Seeking Decision

- ▶ Great Lakes Utilities Membership
- ▶ Great Lakes Utilities Services
 - Initial RT Set Point Data -> MISO Market Agent

Great Lakes Utilities Costs

- ▶ GLU Membership
 - \$9,000 annual
- ▶ MISO RT Set Point Data -\$1,000/Month
 - Continue Until UPPCO Termination - 120 day max
- ▶ MISO Full Market Services
 - \$50,000/annual
 - Currently Paying \$70,000/annually with 5% Esc

Recommended Approach

- ▶ Great Lakes Utilities Membership
- ▶ RT Set Point Data  MISO Market Agent
- ▶ Purchase Power
 - Best Approach is to Continue Purchasing from MISO
 - Optional Transition to All Requirements Purchase
 - Requires Up to Five Year Notice
 - Based on Contract Terms of Portfolio

Available Options

- ▶ Immediate
 - Portal View of RT Set point - "Clunky"
 - Set up Contract with Third Party - "Disjointed"
 - Begin Receiving Services from Great Lakes Utilities
- ▶ Longer Term
 - Continue Contract with UPPCO
 - Pursue Termination with UPPCO and seek another provider
 - Seek Contract with Great Lakes Utilities
- ▶ Strategic
 - Join Great Lakes Utilities as a Member

Why Great Lakes Utilities?

- ▶ Membership Allows Strategic Utility Input
- ▶ Only Pay for Services Desired
- ▶ Demonstrated Utility Capabilities
 - MISO Market Agent
 - Load Forecasting
 - MISO Data Entry
 - RT Set point
- ▶ Similar Business Model
 - Municipal Utility
- ▶ Area Provider
- ▶ Flexible to Provide Needs In Stages

Agenda Item 4 MISO Market Agent Provider

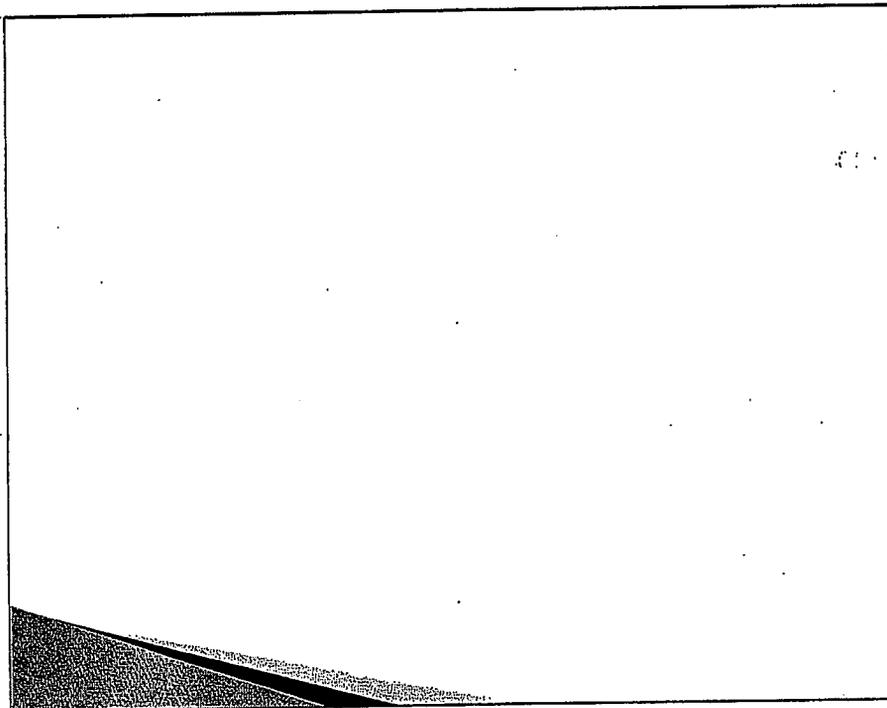
- ▶ Background
 - Power Plant Transition Removes DEMAXX Equipment
 - Providing MISO RT Set Point
 - City Needs Replacement
 - UPPCO Interested in City Finding Another MISO Market Agent Provider
 - Hasn't Provided Notice - 120 day notice Requirement

City Needs

- ▶ Immediate
 - Real Time Set Point Signal
 - Provides Constant Real Time MW Set Point for Generation Units when operating in Reliability Mode
- ▶ Longer Term
 - MISO Market Agent
 - Daily 24 hour load forecast
 - GADS DATA
 - MDMA Services
 - MISO Load and Generation Data submittal
 - Outage Submittal and Coordination

Agenda Item 5 Sale of Generation Facilities

- ▶ Four Parties Interested
- ▶ Asset Purchase Agreement (APA) Draft Review
- ▶ Target Week of May 23 to Send Draft APA
- ▶ Consider Having Parties Come to June Joint Meeting
- ▶ Main Focus of Efforts After O&M Transition is completed



Coal Inventory and Futures as of April 29, 2011

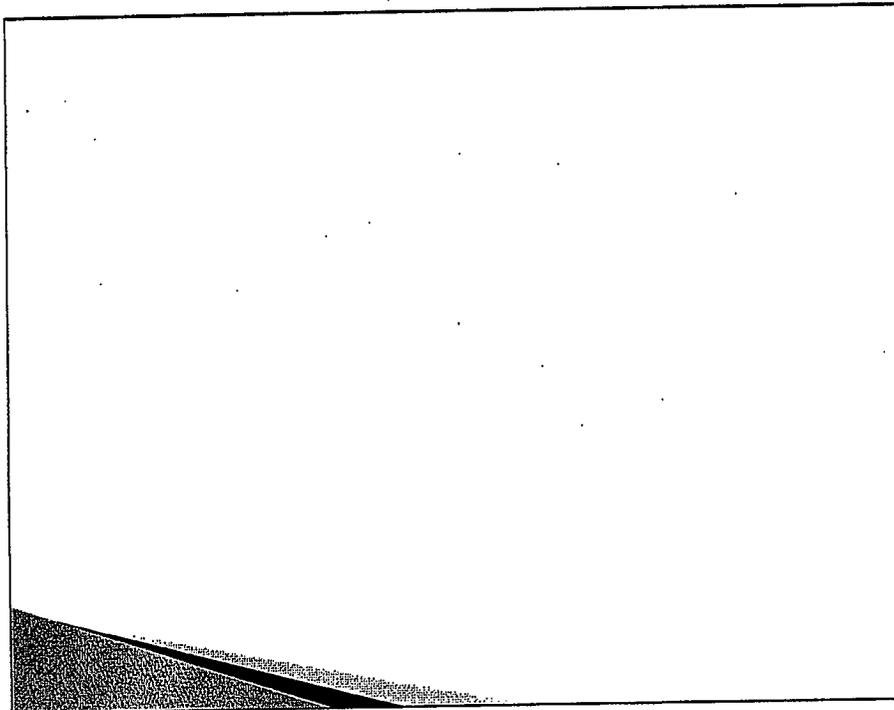
Date	Coal on Dock	Additions/Subtractions	Prev year's actual burn
End of March	26,000	subtotal	
April	-4000	burn	3055
	22,000	subtotal	
May	-4000	burn	2869
	18,000	subtotal	
June	-4000	burn	3180
	14,000	subtotal	
July	-6000	burn	6611
	8,000	subtotal	
July Delivery	15,000		
End of July	23,000		
August	-7000	burn	6826
	16,000	subtotal	
September	-5000	burn	5263
	11,000	subtotal	
October	-5000	burn	4828
	6,000	subtotal	
November	-5000	burn	5477
	1,000	subtotal	
Nov Delivery	15,000		
End of Nov	16,000		
December	-4000	burn	3356
	12,000	subtotal	
January 2012	-4000	burn	3985
	8,000	subtotal	
February	-3000	burn	3182
	5,000	subtotal	
March	-3000	burn	
	2,000	subtotal	
April	-4000	burn	
	-2,000	subtotal	
May	-4000	burn	
	-6,000	subtotal	
June	-4000	burn	
	-10,000	subtotal	

NOTE: Another supplier has offered up to 10,000 tons at a competitive price that could be used to supplement our coal needs.

Agenda Item 8

Purchase Power Agreement

- ▶ Continue Current Purchase Power Strategy
 - MISO Energy Purchase – Backed by Generation
- ▶ Discussion with Great Lakes validated current approach
- ▶ Once Date of Sale Closure is Known –
 - Seek Updated Prices for All Requirements Purchase Power
 - Compare to Market Rates
 - Consider Gas Futures





Great Lakes Utilities

1323 South 7th Street
PO Box 965
Manitowoc, WI 54221-0965
Tel (920) 686-4396
Fax (920) 686-4397

A Wisconsin Municipal Electric Company

Great Lakes Utilities (GLU), is a municipal electric company created to obtain low cost and reliable electric power for its members. GLU was formed in 2000 under Wisconsin Statutes Section 66.0825 and as such, is a public body and a political subdivision of the State of Wisconsin, with separate legal status from that of its members. In 2004, an agreement was reached with GLU to provide full requirements service to four of its member communities -- Clintonville, Shawano, Wisconsin Rapids, and Kiel, and partial requirement service to Manitowoc. The agency entered into its first independent contracts with suppliers in 2005, on behalf of several of its member communities. Since then, GLU has executed multiple short and long term power supply contracts with both investor-owned and public power utilities.

[By-laws](#)[GLU Brochure](#)



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GLU mission statement

Great Lakes Utilities is dedicated to providing its member public power communities a reliable and low cost wholesale power supply

GLU's vision

1. Develop economical and competitive power supply plans and projects.
2. Increase cooperation among members.
3. Enhance the benefits of municipal public power ownership.



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Benefits to GLU member communities

1. GLU members are not dependent on a single IOU for their power supply.
2. As a project agency, GLU allows members to choose those benefits and services of joint action that are most suited to their communities.
3. GLU aggregated load is over 400 MW and 2 million MWH. Joint action allows for economies of scale for an efficient operation, long term competitive power supply to members, and shared use of existing member resources.
4. GLU, on behalf of its members, weighs in on energy industry issues to advance and protect the interests of our citizen owners at FERC, MISO, PSCW and legislative matters as appropriate.
5. There is no initial cost to join GLU and each member community in Wisconsin has a representative on the GLU board.