



CITY COUNCIL/ELECTRICAL  
ADVISORY COMMITTEE

May 11, 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, May 11, 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 – Distribution Operations.**  
**Explanation:** Electrical Superintendent Michael Furmanski will discuss current departmental activities and operations.
3. **Update– Operation and Maintenance Transition – 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.
4. **Discussion - MISO Market Agent Provider.**  
**Explanation:** Administration will discuss 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.

5. **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.

6. **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.

7. **Update – Coal Supply/Coal Delivery.**

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

8. **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***  
**SPECIAL JOINT MEETING**  
**WEDNESDAY, APRIL 13, 2011**

Pursuit to a special meeting posted April April 7, 2011, the meeting was called to order by the Mayor Gilbert X. Cheves at 6:00pm 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, and Brady L Nelson

Absent: Pete Baker (excused)

Present: Electrical Advisory Committee Members: John Anthony, Ann Bissell, Glendon Brown, Tim Wilson, Larry Arkens, Don Racicot.

Absent: Chairman Ron Beauchamp (excused)

In absence of Vice Chairman (vacant position) on the EAC, Mayor Cheves requested the remaining members come to a consensus amongst themselves to appoint someone to act in that position for the meeting. Committee member Brown nominated Tim Wilson and was supported by Arkens. The consensus amongst the other members was agreement.

Evans, moved, Nelson seconded, **CARRIED UNANIMOUSLY**, to approve the agenda as presented.

**UNFINISHED BUSINESS:** None

**CONFLICT OF INTEREST:** None

**NEW BUSINESS**

**Update-Power Plant Operations**

Environmental Consultant, Charles Detiege, from the Power Plant discussed current plant operations, plant maintenance issues and costs associated with the operation of the facility. The following was reviewed:

- Both Units 1 & 2 are currently dispatched by MISO for Reliability Assessment Commitment (RAC). Generator loads have fluctuated a little but lately MISO has had the units near minimums
- The application was sent to the MDEQ to renew the National Pollution Discharge Elimination System (NPDES) permit for the Plant
- Coal-the Plant used 3182 tons of coal in February and 3482 tons in March. There was approximately 26,900 tons of coal left on the dock at the end of March.
- Budget: as of February, for the O&M portion of the budget, the year to date actual costs are very near what was projected. Maintenance expenses were high in February because invoices were paid for the previous outage and material was ordered for the next outage. A&G costs were trued up in February for the previous year which was a \$250,000 credit to the City.
- Annual Maintenance Outage is scheduled for the first 2 weeks in May.

### **Update-Electric Dept**

Electrical Superintendent, Mike Furmanski, discussed current departmental activities and operations. Items reviewed:

- Tree trimming done for season
- Construction season has begun
- Changing out poles around city that have been hit
- Adding transformers
- Working on the Lofts on Ludington Project

### **Update-Operation & Maintenance Agreements**

PSE Consultant, Tom Butz updated Council and the Electric Advisory Committee on the status of the O&M agreements. Butz reviewed the following:

- Negotiated with 3 potential providers
- One draft of the O&M agreement was sent to each of the 3 parties
- Ended up with specific issues with each party
- Sought a signed letter from each party with willingness to sign an agreement
- Three very qualified parties
- O&M decision is independent of the party selected for the Plant sale
- All parties still interested in Plant sale

Manager, Jim O'Toole reported that the negotiating team recommends that the City Council and the EAC retain ProEnergy Services, LLC as the new Operator of the Escanaba Generating Facility. He reviewed that the basis for choosing ProEnergy included the following things about them:

- Core business of plant operations and maintenance (Attachment B)
- Proposal of Cost Saving Formula Approach
- Extensive Combustion Turbine Experience
- Extensive Unit Major Maintenance Experience
- Experienced staff to provide support for wide range of issues

Discussion opened up for the negotiating team to add further, and no further comments were provided. Discussion then opened up for any further questions and comments by either EAC or Council Members.

Questions were brought up and answered with regards to checking of references of the company, cost savings potential and potential outside risks. O'Toole advised Council and EAC that the City would have a representative in the plant with the new operating agreement that will be in effect. EAC member Bissell questioned the issues we have had in the past with environmental risk and how this would be handled. City Attorney Ralph Peterson said that all the companies signed the contract and it stated that they will be responsible for Gross Negligence, Willful Misconduct, and Violating the Terms of the Contract. If it should fall out of this realm, the City would be responsible. The company must also use the best utility practices. Manager O'Toole stated that this is a higher standard than we have today. Council Member Nelson asked if this representative in the plant looking out for our interests would be a contractual employee to which O'Toole responded yes. With regards to the labor contract of the current Plant employees, ProEnergy has expressed interest in keeping the employees services.

General consensus among the EAC was to go with the services of ProEnergy to operate the Plant.

Mayor Cheves asked Council for their recommendation. *Council member Nelson made a motion, seconded by Council member Evans, that Council allow the City of Escanaba Administration to enter into an agreement with ProEnergy Services, LLC for the Operation and Maintenance of the Plant on the transition date of June 6, 2011.*

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

Ayes: Baribeau, Nelson, Evans, Cheves

**Motion Carried.**

#### **Update-Sale of Generation Facilities Proposal.**

Manager O'Toole updated the Council and EAC on the status of the Sale of the Generation Facilities Proposal. Items reviewed included the following:

- Negotiating team is working on the Asset Purchase Agreement to get it out to all parties interested for them to sign so a recommendation can be made to this committee
- Sale proposal had been pushed back for a time so committee could concentrate on finding an Operator by the June 6, 2011 deadline
- 120 day out clause put into contract in case operator is not the eventual buyer of Plant
- Approximate 30+ day lag between the O&M agreement and Plant Sale agreement.

#### **Update-Professional Services-Troutman Sanders, LLP**

O'Toole updated council that a spending cap of \$50,000 had been placed on administration for professional services by Troutman Sanders LLP. Current to March 31,

2011, \$31,318.50 has been paid to them thus far. Administration is requesting an additional \$50,000, as there is work to do on the Asset Sale Purchase Agreement and with tying up loose ends. EAC member Brown commented that Mr Coles, the attorney with Troutman Sanders, has definitely aided and expedited the process with his availability whenever the negotiating committee needed him.

*Baribeau moved, Evans seconded, to raise the cap on spending with Troutman Sanders, LLP for professional services an additional \$50,000.*

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

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

**Motion Carried.**

**Update-Professional Services-Power System Engineering, Inc.**

O'Toole updated Council on the services of Tom Butz from Power System Engineering, Inc. A date deadline had been set by Council for his services and that deadline has been met. Administration is requesting the deadline be extended to December 31, 2011 at the current rate.

*Evans moved, Nelson seconded, to extend the deadline for professional services from Power System Engineering, Inc. to December 31, 2011.*

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

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

**Motion Carried.**

**Update-Environmental Work Plan**

Myron Berry from Mountain Engineering gave a brief presentation to Council and EAC members on the environmental work plan completed on the Plant site. Items reviewed included:

- 23 boring taken of problem areas
- Sampling done for metals contamination
- Took samples of coal ash

Berry informed members of Council, Administration and EAC that with samples of coal ash taken, it was found that the coal ash is holding the metals in, so at the present time there is no reason to remove all of the coal ash at this time. Berry recommended further well monitoring on site and paving a petroleum-contaminated area. He advised that the next step is to sit down with the MDEQ and determine if they agree with the engineering study and see what if any modifications they may want us to make.

Berry identified cleanup costs to be approximately \$1.4 million dollars.

### **Update-Coal Bid**

O'Toole reported to Council and EAC that the coal bid was submitted and we have received several responses back. The bid was a two bid process including 1)delivery of coal and payment provided when accepted or 2)price to pay as used. Currently we are trying to resolve some questions with the low bidder and we are working with Reiss on the interpretation of the dock rental agreement that we have with them. Should have the bid finalized sometime next week. Prices seen on the coal bids range from \$95.75/ton to \$111.00/ton.

### **Update-Power Purchase Agreements-Short Term/Long Term-Power Cost Options**

O'Toole expressed the goal once again of the committee is to sell the plant and enter into an agreement to purchase power with the favorable rates for the citizens of Escanaba. He reported that not much has been done on this matter as of yet due to the intensive work that has been put into the O&M agreement.

Tom Butz from Power System Engineering reported that the power markets are tied into the natural gas prices and at this time, natural gas prices are remaining flat. He said we will be keeping an eye on this. Also, he will be refreshing his numbers with the companies that had already expressed an interest in working with us. This all ties in with the plant sale timing.

### **General Public Comment**

None

### **Committee/Staff Comment**

Nelson thanked the negotiating committee for a job well done.

### **Adjournment**

Hearing no further public comment, or further reports from the EAC and Council, the meeting was adjourned at 7:07pm.

Respectfully submitted,

Carol DeShambo  
Secretary-Electric

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