



CITY COUNCIL/ELECTRICAL
ADVISORY COMMITTEE

December 11, 2013 – 6:00 p.m.

Regular Meeting

CITY COUNCIL

Marc Tall, Mayor
Leo Evans, Mayor Pro-Tem
Patricia Baribeau, Council Member
Ronald Beauchamp, Council Member
Ralph Blasier, 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

ELECTRICAL ADVISORY COMMITTEE

Tim Wilson, Chairperson
Ann Bissell, Vice Chairperson
Larry Arkens, Committee Member
Glendon Brown, Committee Member
John Anthony, Committee Member
Vacant Seat
Vacant Seat

Escanaba City Council Chambers: 410 Ludington Street - Escanaba, MI 49829

Meeting Agenda

Wednesday, December 11, 2013

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

1. **Update - Electric Department –General Operations.**
Explanation: Electrical Superintendent Mike Furmanski will update the City Council, Electrical Advisory Committee and Citizens of Escanaba on the current departmental activities.
2. **Update– Operation and Maintenance of Power Plant – Pro Energy Services, Inc.**
Explanation: Pro Energy Services, Inc. will update the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the operation and maintenance of the power plant.
3. **Update – City of Escanaba and Upper Peninsula Power Company Mediation.**
Explanation: On November 18, 2013, the City of Escanaba participated in a mediation hearing with the Upper Peninsula Power Company over claims made as a result of the termination of the UPPCo Operating Agreement. The parties were able to come to a tentative agreement, which now needs City Council approval to become binding. Administration will review the facts and outcome of the tentative agreement with the City Council, Electrical Advisory Committee and the Citizens of Escanaba.
4. **Discussion – American Transmission Company's projects**
Explanation: Administration will lead a discussion on the work being performed in the area and how these projects may impact Escanaba.

Agenda - December 11, 2013

5. **Update – Power Plant Purchase Agreement.**

Explanation: Administration will provide an update on the status of Power Plant Purchase Agreement between the City of Escanaba and Escanaba Green Energy, LLC.

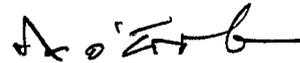
GENERAL PUBLIC COMMENT

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, November 13, 2013

Pursuit to a meeting notice posted November 8, 2013, the meeting was called to order by the Mayor Marc D. Tall at 6:00 p.m. in the Council Chambers of City Hall located at 410 Ludington Street.

Present: Mayor Marc D. Tall, Council Members, Patricia A. Baribeau, Ronald J. Beauchamp, Ralph B. Blasier, and Leo J. Evans

Absent: None

Present: Electrical Advisory Committee (EAC) Members: Chairperson Tim Wilson, Ann Bissell, Larry Arkens, and Glendon Brown.

Absent: Electrical Advisory Committee (EAC) Members: Jon Anthony, Two vacancies, and Power Plant Liaison.

Also Present: City Attorney Ralph B.K. Peterson, Electric Superintendent Mike Furmanski, Josh Krainiak Electric Distribution Engineer, City Controller Mike Dewar, Jack Scott of Pro Energy Services, Charles DeTiege of Escanaba Green Energy (EGE), members of the public and media.

Beauchamp moved, Baribeau seconded, **CARRIED UNANIMOUSLY**, to approve the agenda as submitted.

UNFINISHED BUSINESS – None

CONFLICT OF INTEREST – None

PUBLIC HEARING – None

NEW BUSINESS

Update - Electric Department –General Operations.

Electric Superintendent Mike Furmanski updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on the following departmental activities;

- Bells Brewery Project;
- OSF Rehabilitation Building Project;
- New Home Construction;
- Reviewed the Annual Pole Testing Program.

Update– Operation and Maintenance of Power Plant – Pro Energy Services, Inc.

Jack Scott of Pro Energy Services, Inc. updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on the following operation and maintenance of the power plant;

- Power Plant was not called upon to operate during the month of October;
- There were no OSHA work related injuries or illnesses during the month of October;
- Reviewed No. 2 Turbine bearing replacement and realignment of Turbine Generator No. 1;
- Reviewed other maintenance and equipment replacements which occurred throughout the month.

Update – Escanaba Power Supply Costs/U.P. Power Supply and Market Conditions.

Electric Superintendent Mike Furmanski provided a high level overview of Escanaba's power supply costs in light of the current power supply developments in the U.P. (See Attachment – A) Mr. Furmanski concluded by stating City power costs were in a good competitive condition with stable rates, as compared to other Upper Peninsula communities.

Update – Energy Optimization Program.

Electric Distribution Engineer Josh Krainiak provided an update regarding energy optimization work that was recently performed by Orange Energy Solutions at a number of commercial establishments in the City of Escanaba as part of the Energy Optimization program. The visits installed door gaskets, night covers, and strip curtains primarily at grocery, convenience stores, and restaurants, on older refrigeration units. Mr. Krainiak advised the work, from a selective list obtained from City electric customers, went well within the City. The needed repairs provided savings to customers and increased their awareness on other energy savings projects at their businesses. After a brief review on details of the program and how it was funded, Council Members suggested promoting and marketing the program in the future to the media and members of the public.

Update – City of Escanaba/Upper Peninsula Power Company Mediation.

Administration and City Attorney Peterson provided an update on the upcoming mediation between the City and UPPCO over disputes related to the terminated operating agreement. Non-Binding arbitration was scheduled in Menominee, Monday, November 18, 2013.

Update – Power Plant Purchase Agreement.

Charles DeTiege provided an update on the status of Power Plant Purchase Agreement between the City of Escanaba and Escanaba Green Energy, LLC. Mr. DeTiege briefly reviewed the details and framework that was required to obtain the \$1,000,000 deposit from Black Diamond Company.

GENERAL PUBLIC COMMENT – None

COUNCIL/COMMITTEE, STAFF REPORTS - None

ADJOURNMENT

Hearing no further public comment, or further reports from the Electrical Advisory Committee or Council, the meeting adjourned at 6:47 p.m.

Respectfully submitted,

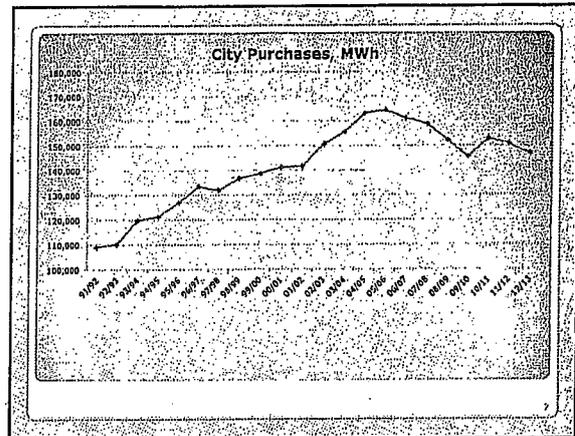
Robert S. Richards, CMC
City Clerk

Approved:

Marc D. Tall, Mayor

Power Costs Update

November 13, 2013



Wholesale Energy Components

- Energy
- Capacity
- Transmission Costs (ATC)
- Market Expenses (MISO)

Status of each component

- Energy - Contract through Dec 2018
- Capacity - Contract through May 2017
- ATC - Costs estimated
- MISO - Costs estimated

Energy

- Full requirements purchase at our node
- \$57.10 through Dec 2016
- \$52.32 for Jan - Dec 2017
- \$54.94 for Jan - Dec 2018
- Indicative prices for Jan 2019 - May 2020 slightly higher
- May 2020 was requested as an end date to match up with MISO Planning Year
- MISO P/Y runs June 1 - May 31

Capacity

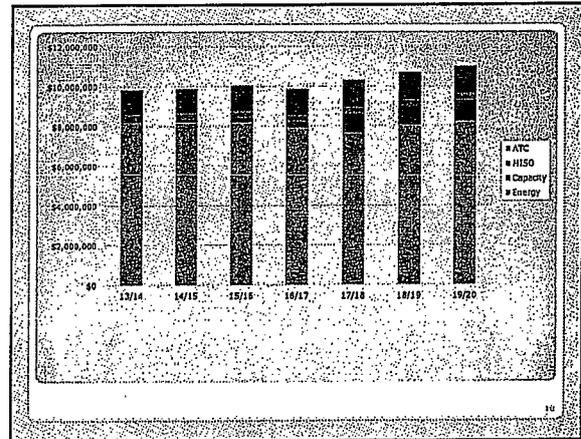
- Capacity Zonal Resource Credits (ZRCs) are needed to meet our expected peak load (plus reserves) annually. Prices are in \$/kw-mo. 1 ZRC = 12,000 kw-months.
- \$0.50 for P/Y 13/14 (purchased 2.4 ZRCs)
- \$0.20 for P/Y 14/15
- \$0.40 for P/Y 15/16
- \$0.60 for P/Y 16/17
- Indicative prices for P/Ys 17/18 and 18/19 are 3X-4X costs of 16/17

- **ATC and MISO**
- These costs are determined by ATC and MISO
- Fixed price contracts are not available

- **Assumptions used:**
- 144,000 MWh energy annually
- 34 ZRCs of capacity annually

Energy	\$6,222,400	\$6,222,400	\$6,222,400	\$7,939,600	\$7,891,280	\$8,049,960	\$8,244,000
Capacity	\$14,400	\$81,600	\$189,200	\$244,800	\$300,000	\$360,000	\$420,000
MISO	\$380,000	\$350,000	\$360,000	\$330,000	\$360,000	\$390,000	\$360,000
ATC	\$1,700,000	\$1,700,000	\$1,288,400	\$915,980	\$1,847,872	\$1,877,232	\$1,877,232
TOTALS	\$8,736,800	\$8,694,000	\$8,061,000	\$8,830,380	\$10,238,952	\$10,687,472	\$11,001,232
\$/MWh	\$68.00	\$68.00	\$68.00	\$68.00	\$71.87	\$74.22	\$76.40
% Change to 12/14	-	-0.5%	-2.4%	-6.5%	5.1%	6.0%	12.2%
1/1	12/14	14/15	15/16	16/17	17/18	18/19	19/20

Yellow cells = indicative pricing



- **Other Components Needed:**
- Michigan Renewable Energy Credits (MIRECs)
- MIRECs have a 3 year shelf life. We have purchased MIRECs to meet our state requirements through 2015. 2015 price was \$1.50/MIREC. Previous prices were \$0.30 - \$0.50.
- Future MIREC prices are in the \$1.75 - \$7.00 range.
- MIRECs are purchased with RE plan money.
- We need approximately 15,000 MIRECs/year.

- **Sensitivity - Capacity**
- MISO believes many coal plants will shut down in 2016 due to EPA regulations.
- This could lead to capacity scarcity
- Capacity prices could rise significantly
- MISO estimates Cost of New Entry (CONE) at approximately \$8/kw-mo. (annual cost of \$3.3M)
- Self supply capacity with generating station = \$12/kw-mo. Would still need to purchase some ZRCs
- Self supply capacity with CT only = \$4/kw-mo. Would need to purchase 68% of ZRCs.

Sensitivity - Presque Isle
 Possible impacts of Presque Isle Power Plant
 MISO has determined PIPP must stay running
 SSR costs of \$35-82M
 Escanaba's share = \$80,000 - \$186,000

Sensitivity - Escanaba Plant Sale
 Current SSR covers \$3.7M of \$4.5M plant costs
 Elimination of \$800k plant costs helps overall

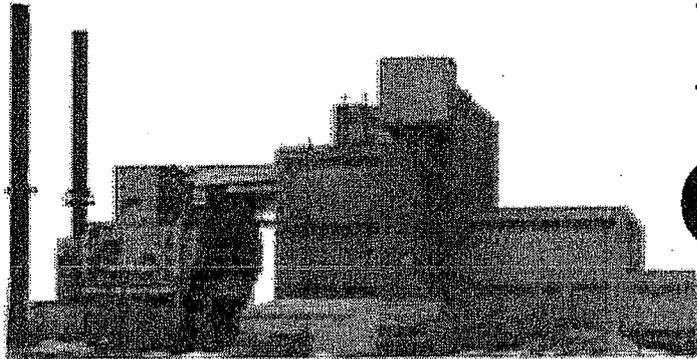
City/Utility	Projected example customer classification and usage - Effective JAN 2014		
	Residential 500 kWh/mo	Commercial 4000 kWh/mo	Large Power 200,000 kWh/mo
Monroe			
WPS	\$53.41	\$394.76	\$19,981.55
Escanaba		Single phase \$347.98	
City of Escanaba	\$53.53	Three phase \$355.95	\$15,374.02
Marquette			
Marquette BLP	\$56.15	\$471.20	\$19,252.75
Marquette		Single phase \$421.20	
Cleveland REA	\$56.60	Three phase \$436.20	\$18,793.99
Gladstone		Single phase \$494.80	
WPP	\$60.05	Three phase \$495.80	\$19,191.00
Iron Mountain		Single phase \$78.60	Single phase \$591.84
WE Energy	Three phase \$63.50	Three phase \$608.62	\$22,420.97
Upemig			
UPPCO	\$102.75	\$755.20	\$24,440.50

NB # 2
12/11/13

Escanaba Operating Services

Monthly Report

November 2013



Escanaba Generating Station

**Escanaba
Operating
Services**

Executive Summary

The power plant was not called upon to operate during the month of November. Plant employees continued repairing and replacing existing equipment that has been in service well beyond its original design life.

There is **10,194** tons of coal on the dock. The OSHA incident, rate for November 2013 is 6.0.

Key Performance Indicators (Note: This table is for the City's fiscal year August 2013 through August 2014.)

Measure	Unit of Measure	Month	Year to Date
Steam Plant Gross Electrical Generation	MWH	0	14002
Unit 1 Net Electrical Generation	MWH	0	6334
Unit 2 Net Electrical Generation	MWH	0	4850
Unit 1 Hours of Operation	Hours	0	1176.7
Unit 2 Hours of Operation	Hours	0	869
Coal Consumption	Tons	0	7893.9
Coal on Dock	Tons	10194	10194
Steam Plant Net Heat Rate	BTU/KWH	n/a	n/a
Plant Availability	%	100%	90%
Combustion Turbine Gross Electrical Generation	MWH	0	497
Combustion Turbine Station Service	MWH	32.3	287.3
Combustion Turbine Hours of Operation	Hours	0	72.6
Fuel Oil Consumption	Gallons	0	80436
Combustion Turbine Availability	%	100%	100%

Operations Summary

Unit Start-Ups and Shut Downs

Turbine-Generator Unit 1, Turbine-Generator Unit 2 and the Combustion Turbine Generator (CTG) were not operated during the month of November.

Unit	Date	On-Line Time	Off-Line Time	Reason
1	None			
1				
2	None			
2				
CT	None			
CT				

Unit Trips and Unplanned Outages

Unit	Date	Breaker Open Time	Unit Released	Duration (Hours)	Cause
1	None				
2		NA			Turning Gear (OOS) for Oil Seal Failure - Will be returned to service during the first week of December 2013. See Unit 2 below.
CTG	None				

Planned Outages

Unit	Start Date	Start Time	End Date	End Time	Cause
1	None				
2	None				
CTG	None				

Forced Outages or Load Reduction Events

Unit	Start Date	End Date	End Time	Load Limit	Cause
1					
2	None				
CTG	None				

Maintenance Activities

Plant Maintenance Activities for November 2013

Unit 1

Routine maintenance and equipment replacements occurred throughout the month.

Unit 2

Unit 2 Turning Gear was removed due to high oil leakage at the seal. The turning gear was sent to Northern Machining and Repair for seal replacement. The turning gear is still out of services but is expected to return to service on 12/6/2013.

Combustion Turbine

There were no repairs required on the Combustion Turbine/Generator.

Plant Outstanding Issues:

None

Emissions Compliance Overview-Air/Water

- There were no Air Monitoring deviations in the month of November.

Air Monitoring Deviations

Start Date	Start Time	End Date	End Time	Opacity Parameter	Cause
None					

Water – NPDES Permit Deviations

- There were no NPDES violations during the month of November.

Water – Groundwater

- There was one Groundwater deviations during the month of November.

Water Monitoring Deviations

Start Date	End Date	Parameter	Cause
11/3	11/3	pH	The operator did not rinse the probe from the pH 10 buffer resulting in a spike in pH. The operator was reinstructed on the appropriate probe rinsing protocol.

Occupational Safety and Health Overview

OSHA Summary of Work Related Injuries and Illnesses

- 1) There were no OSHA work related injuries or illnesses during the month of November.

EH&S Incidents – (Near Misses and/or Property Damage)

- 1) There were no lost time accidents, near misses or property damage during the month.

Labor Statistics

Labor Statistics (Note: These statistics are for the 2013 calendar year from Jan 1 through December 31.)

Item	Month	Year to Date
Total Man-Hours Worked	2699.5	33608.75
Total Number of Standard Time (ST) Hours	2318	29676.6
Total Number of Overtime (OT) Hours	91.5	1256
Total Number of Double Time (DT) Hours	290	2675.75

NB #3
12/11/13

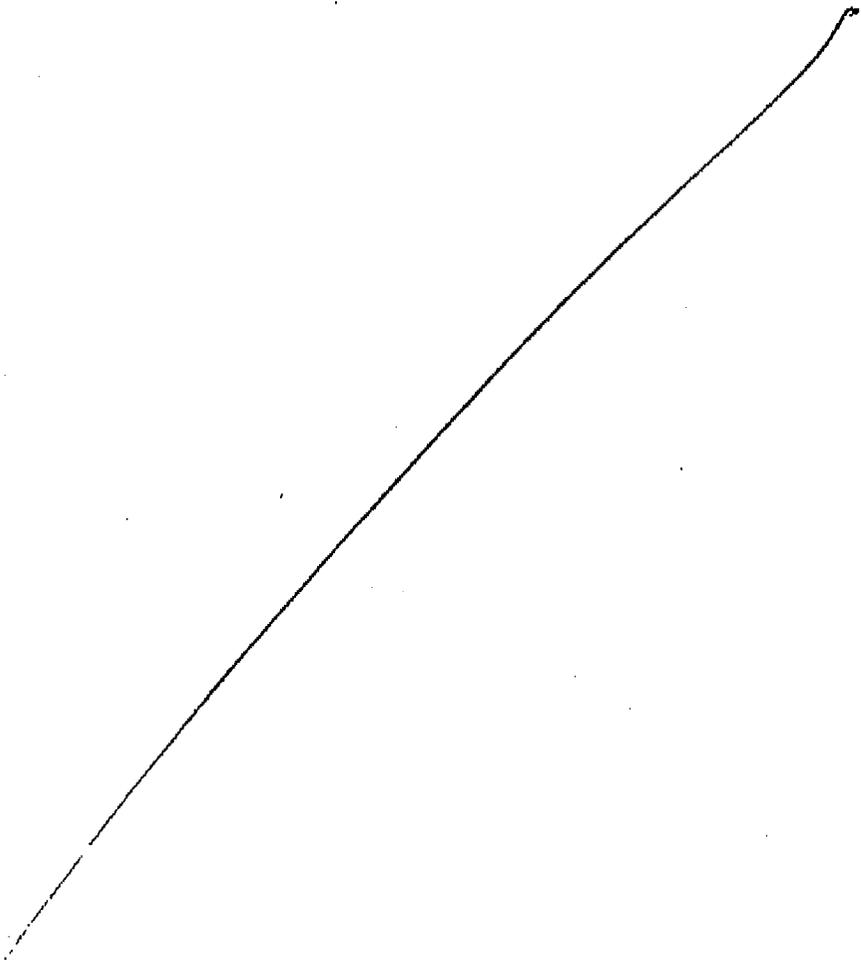
IN RE:

UPPCO and CITY OF ESCANABA,

NEGOTIATED SETTLEMENT MEMORANDUM

Pursuant to a facilitative mediation conducted on November 18, 2013, the parties have agreed to settle this action and execute this memorandum to memorialize the settlement reached:

Per the attached term sheet.



ATTACHED TERM SHEET

UAPCO/CITY OF
ESCANABA
12/12/13

- 1.) This settlement is contingent on the approval of the City Council of Escanaba. The settlement will be presented to the City Council on December 11, 2013. The City administration will recommend approval of the agreement.
- 2.) The City will pay UAPCO \$312,500 within 10 business days after approval by the City Council.
- 3.) UAPCO will remain responsible for the Les Strachan workers compensation claim and will be responsible for any future workers compensation claims made by former UAPCO employees involving injuries ~~to~~ caused in whole or in part by their employment at the plant during the time it was operated by UAPCO.
- 4.) The City will give UAPCO a release from any and all environmental liability claims connected with the operation of the plant.
- 5.) The parties will enter into a full, mutual release of all claims except as set forth herein. Neither party admits liability as to any claim asserted by the other. UAPCO will draft the mutual release, subject to review by the City.

Dated: 11/18/13

By: Elyse M. [Signature]

On Behalf of UPPCO (Antiquary)

Dated: 11/18/13

By: [Signature]

Trevor J. Will
Attorney for UPPCO

Dated: 11/18/13

By: [Signature]

CITY MANAGER
On Behalf of City of Escanaba

Dated: 11-18-13

By: [Signature]

Ralph B. K. Peterson
Attorney for City of Escanaba



Upper Peninsula Power Company
700 North Adams Street
P.O. Box 19001
Green Bay, WI 54307-9001
www.uppco.com

November 5, 2009

City Manager Jim O'Toole
City of Escanaba
410 Ludington Street
Escanaba, MI 49829

Mayor Lee Evans
City of Escanaba
410 Ludington Street
Escanaba, MI 49829

Dear Sirs:

This letter confirms that Upper Peninsula Power Company (UPPCO) and the City of Escanaba did not reach agreement on a new Operations and Maintenance agreement by the September 30, 2009 deadline.

As a result, the current agreement will terminate pursuant to our prior Notice on June 5, 2011. If the City sells the steam plant, UPPCO intends to terminate the agreement under section 3.3 of the current agreement.

Although we did not reach an agreement, I wanted to relay that UPPCO appreciates the frank discussions our negotiating teams were able to have regarding our respective concerns and issues.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Nick", is written over a horizontal line.

Barbara Nick
President
Upper Peninsula Power Company

cc - Howard Giesler, Wisconsin Public Service Corporation, Green Bay, Wisconsin (PUL)
Charlie Severance, Wisconsin Public Service Corporation, Green Bay, Wisconsin (D2)

GENERATING FACILITIES OPERATING AGREEMENT
BETWEEN THE UPPER PENINSULA POWER COMPANY
AND THE
CITY OF ESCANABA, MICHIGAN

GENERATING FACILITIES OPERATING AGREEMENT
BETWEEN THE UPPER PENINSULA POWER COMPANY
AND THE
CITY OF ESCANABA, MICHIGAN

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GENERATING FACILITIES OPERATING AGREEMENT
BETWEEN THE UPPER PENINSULA POWER COMPANY
AND THE
CITY OF ESCANABA, MICHIGAN

0.1 AGREEMENT, made and entered into as of the 12th day of December 1986, and amended as of the ___ day of _____, 2002, between the UPPER PENINSULA POWER COMPANY, a Michigan corporation, herein termed "Company," and the CITY OF ESCANABA, MICHIGAN, a Michigan municipal corporation, herein termed "City."

WITNESSETH:

0.2 WHEREAS, the Company owns electric facilities and is engaged in the generation, transmission, distribution, and sale of electric capacity and energy in the State of Michigan, and

0.3 WHEREAS, the City owns electric facilities and is engaged in the generation, transmission, distribution, and sale of electric capacity and energy in Escanaba, Michigan, and its environs, and

0.4 WHEREAS, the Company and the City are interconnected at the City's generating plant and at the Company's Delta Substation, and

0.5 WHEREAS, the Company and the City have entered into an Interconnection Agreement dated 12/12/86, and

0.6 WHEREAS, the City owns generating facilities consisting of a generating plant, hereinafter referred to as the "Plant," located in the City of Escanaba, and a combustion turbine, hereinafter referred to as the "CT," also located in the City of Escanaba (referred to collectively herein as the "Generating Facilities"), and

0.7 WHEREAS, the Company currently operates and maintains the Plant on behalf of the City, and

0.8 WHEREAS, it is in the interest of both parties to have the Company continue to operate and maintain the City's generating Plant on behalf of the City, and

0.9 WHEREAS, it is in the interest of both parties to have the Company operate and maintain the CT on behalf of the City,

1.0 NOW, THEREFORE, in consideration of the mutual covenants and agreements herein set forth, the parties hereto agree as follows:

ARTICLE 1

GENERATING FACILITIES DESCRIPTION

1.1 The Plant consists of two generating units, each having a nominal rated output of 12,650 kW, located on property owned by the City, situated on the shore of Lake Michigan in the City of Escanaba.

1.2 The CT consists of one General Electric 17,812 kW MS 5001 LA turbine S/N 179401 and one General Electric 21,176 KVA air cooled generator S/N 8384301, located on property owned by the City, situated on the shore of Lake Michigan in the City of Escanaba.

ARTICLE 2

GENERAL FACILITIES OPERATION

2.1 The City agrees to employ the Company as the City's agent to operate and maintain the Generating Facilities under the terms and conditions of this Agreement. The Company agrees that it will act as the City's agent to operate and maintain the Generating Facilities for the City under the terms and conditions of this Agreement.

2.2 The City shall provide all fuel and spare parts attendant to the operation of the Plant.

2.3 Except for fuel and spare parts, the Company shall provide all supervision, labor, materials, supplies, and insurance attendant to the operation and maintenance of the Generating Facilities. The City shall reimburse the Company for the costs of

operating and maintaining the Generating Facilities, which costs shall include the following:

2.3.1 The cost of providing all supervision, labor, materials, and supplies as charged by the Company to the FERC Uniform System of Accounts in connection with the operation and maintenance of the Generating Facilities;

2.3.2 An amount equal to all fringe benefits and employment tax costs incurred by the Company in connection with providing supervision, operating and maintenance labor for the Generating Facilities, exclusive of any such costs which may be included in 2.3.1, above:

2.3.3 An amount equal to all insurance premiums and taxes, if any, which shall be paid by the Company in connection with the operating and maintenance of the Generating Facilities, exclusive of any such costs which may be included in 2.3.1, above;

2.3.4 An amount equal to the cost of all administrative and accounting labor, including payroll taxes, fringe benefits, computer expense, and travel expense provided by the Company in connection with the operating and maintenance of the Generating Facilities including the preparation of billing to the City but exclusive of any labor or expenses incurred by corporate officers of the Company, except those officers specifically agreed to by the Parties;

2.3.5 An amount equal to the interest on all funds expended by the Company in connection with the operation and maintenance of the Generating Facilities from the date of such expenditure to the date the City makes payment to the Company as described in Article 2 previously. Interest shall be charged by the

Company at the current prime rate of interest quoted to the Company by the principal lending institution with which the Company is currently doing business, and shall include a factor to account for compensating balancing costs;

2.3.6 A management fee initially equal to \$25,000/year, which shall be subject to adjustment from year to year by multiplying the ratio of the Producer Price Index, as published in the month prior to the anniversary date of this agreement by the Bureau of Labor Statistics to the Producer Price Index published in the month prior to the effective date of this agreement.

2.4 The Company shall prepare and submit to the City an annual budget covering the projected cost of operating and maintaining the Generating Facilities at least ninety days prior to the beginning of the coming year for the City's approval. It is the City's responsibility to supply to the Company, in a timely manner, the projected monthly energy to be generated by the Generating Facilities so that budgeting can be completed.

Except in case of emergency, the Company will notify the City any time it becomes apparent that a single expenditure in excess of \$5,000 not included in the Generating Facilities budget will be necessary, before such expenditure is made. The City shall respond promptly in writing to all such requests, either approving or disapproving the request.

2.5 The Company shall bill, and the City shall pay, for all costs incurred in the operation and maintenance of the Generating Facilities as they occur. The Company will prepare an estimated bill to cover the costs for a month no later than five working days

after the end of the month. Each estimated bill will be adjusted to actual and rendered to the City together with the next following estimated monthly bill.

The City agrees to pay all bills rendered within ten days after receipt thereof.

2.6 The Company agrees that, as long as the Company is employed by the City to operate the Generating Facilities, the Company shall at all times maintain the Generating Facilities in a good state of repair and operating efficiency. At the end of each year of this Agreement, the Company shall furnish the City with a study and analysis of the operations of the Generating Facilities.

2.7 The Company agrees at all times to defend, indemnify, and save harmless the City from any and all liability, loss, cost, damage, or expense resulting from its own negligence in the operation of the Generating Facilities, from claims and demands of the Company's employees for wages, salaries, or other forms of compensation or employee benefits and for injuries or death and from any and all claims and demands of contractors employed by the Company and of persons and corporations from whom the Company purchases materials and supplies; and the Company agrees not to permit any liens for labor, mechanics, materialism, attachments, judgments, or otherwise attach to the Generating Facilities by reason of any default of the Company and promptly to cause to be dissolved and discharged any such liens that may be filed against the Generating Facilities or other property of the City.

2.8 The City shall, at its own cost and expense, carry property and general liability insurance covering the Generating Facilities for the City's benefit in an amount customary for such a facility in the industry. The Company shall not be liable to the City

for any injury to or destruction of the Generating Facilities from hazards covered by such insurance except as described in paragraph 2.7.

2.9 If the City fails, for any reason, to obtain insurance as described in paragraph 2.8, then it shall so notify the Company and the Company shall provide property and general liability insurance covering the General Facilities. The level of coverage provided by this insurance shall be consistent with the coverage the Company provides for its own generating plants. If the Company carries such insurance for the City's benefit, the City will be responsible for the payment of all premiums and any and all deductibles and/or expenses not covered by said insurance.

2.9.1. The Company shall provide the City with a summary of the terms and conditions of the property and general liability coverage described in paragraph

2.9. The City shall review the terms and conditions of the property insurance coverage on an annual basis and notify the Company by May 31st in writing of their acceptance or rejection of said coverage. If the City rejects said coverage, the City's obligation under paragraph Section 2.8 shall apply automatically.

2.10 If, at any time, the City obtains insurance as described in paragraph 2.8, then paragraphs 2.9 and 2.9.1 of this Agreement will be rendered void automatically and permanently.

2.11 If any damage from any hazard not described in paragraph 2.7 shall occur to the Generating Facilities during the term of this Agreement or any renewal thereof, the Company agrees to proceed diligently to complete the repair, replacement, and restoration of the Generating Facilities as promptly as reasonable practicable. The City shall pay all costs of the repair, replacement, and restoration of the Generating Facilities.

The City shall have the right to have its representatives present to inspect and supervise any such repair, replacement, and restoration of the Generating Facilities for the purpose only of determining that such repair, replacement, and restoration is carried out as herein provided.

Provided, however, that if in the opinion of both parties the Generating Facilities is so substantially damaged or destroyed as not to be operable and cannot be economically repaired, replaced, and restored to normal operating condition within a period of six months, the Company shall have the right to cancel and terminate this Agreement without liability to the City except to pay over to the City any proceeds of insurance held by the Company on account of such damage or destruction.

2.12 At all times while the Company is employed to maintain and operate the Generating Facilities, the Company agrees to furnish all supervision and materials and supplies necessary for the efficient operation of the Generating Facilities and generation in the Generating Facilities of the City's requirements of electric energy; and at all times to keep on hand adequate quantities of materials and supplies and to employ an adequate staff of trained and experienced supervisors, operators, and personnel for the operation of the Generating Facilities. The Company agrees at all times to maintain and operate the Generating Facilities as directed by the City so as to enable the Generating Facilities to supply the City with a dependable supply of electric energy in the quantities required by the City without interruption or curtailment except only when prevented from doing so by force majeure.

Such maintenance and operation of the Generating Facilities by the Company shall be carried out by the Company as agent for the City subject to the

provisions of this Agreement, but it is understood and agreed that all persons employed in the operation of the Generating Facilities shall be employees of the Company and subject to the Company's exclusive control and direction. In the purchase of all materials and supplies pursuant to Section 2.3, the Company shall make all such purchases on the Company's own credit and for the Company's own account.

2.13 The Company shall act as the City's agent in soliciting the annual fuel requirements for the Generating Facilities in the competitive market from reputable suppliers and endeavor to obtain fuel at the least cost consistent with the maintenance of an adequate and reliable supply of fuel. The Company will be responsible for negotiating a purchase agreement from the supplier utilizing the recommendations provided by the Company and approved by the City. The City will pay the suppliers for the cost of the fuel and provide the Company with all invoice information pertaining to the fuel purchase. The Company will keep records of its determination of the cost of fuel per 1,000,000 BTU and make such records available to the City at any time.

ARTICLE 3

GENERAL PROVISIONS

3.1 The City and the Company both agree that they shall promptly join in and diligently and in good faith prosecute any application or petition to the Federal Energy Regulatory Commission and the Michigan Public Service Commission necessary to accomplish the terms of the contract. It is understood and agreed that either party shall have the right to cancel and terminate this Agreement in its entirety without liability to the

other in the event that this Agreement is disapproved by either the Federal Energy Regulatory Commission and/or the Michigan Public Service Commission.

3.2 Both the City and the Company agree to make available to each other at all reasonable times all books and records pertaining to any of the transaction contemplated hereby or necessary to enable either party to make any reports required by law or contract.

3.3 Neither the City nor the Company shall assign this Agreement nor any rights hereunder without first obtaining the prior consent thereto of the other; and no such consent shall be deemed a consent to any different or subsequent assignment; provided, however, and it is expressly agreed that the Company shall have the right at any time or from time to time to pledge this Agreement and all or any rights of the Company hereunder with the Trustee or Trustees under any mortgage, deed of trust, or indenture of the Company, the City hereby expressly consenting to any such pledge by the Company; but such pledge shall not relieve the Company of any obligations hereunder. The provisions of this Agreement shall not be separable; and any pledgee or other person succeeding to the rights of the Company shall be bound to operate the Generating Facilities and deliver electric energy to the City, or cause the same to be done, in accordance with the terms of this Agreement.

3.4 In the event of either party hereto being rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, other than the make payment due hereunder, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by telegraph to the other party as soon as possible after the occurrence of the cause relied on, then the obligations of the party giving such

notice, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period; and such cause shall as far as possible be remedied with all reasonable dispatch. The term "force majeure" as employed herein shall mean acts of God, strikes or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of government and peoples, civil disturbances, explosions, break down of machinery or equipment, and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome; such term likewise includes (a) in those instances where either party hereto is required to obtain servitudes, rights of way grants, permits or licenses to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, rights of way grants, permits or licenses, and (b) in those instances where either party hereto is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure permits or permission from any governmental agency to enable such party to fulfill its obligations hereunder, the inability of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials and suppliers, permits and permissions.

It is understood and agreed that the settlement of strikes shall be entirely within the discretion of the party having the difficulty and that the dispatch shall not

require the settlement of strikes by acceding to the demands of the opposing party or parties when such course is inadvisable in the discretion of the party having the difficulty.

3.5 Any matter which this Agreement provides may be arbitrated; it may be submitted to arbitration in accordance with the rules of the American Arbitration Association by an impartial Board of three arbitrators who shall be chosen, one by the City, one by the Company, and the third by the two members first chosen as aforesaid. The party desiring arbitration shall select one arbitrator and notify the other party thereof; and thereupon the other party shall within ten days thereafter choose a second arbitrator. If the other party fails within said ten days to choose a second arbitrator, or if the two arbitrators first chosen fail within ten days after the second arbitrator is chosen to choose a third arbitrator, the party requesting arbitration shall have the right to apply to the Circuit Judge of the Judicial Circuit in which the City is located or to the American Arbitration Association to select the other arbitrator or arbitrators. Both parties shall have the right to be represented by Counsel and to present witnesses and other evidence to the Board of Arbitrators and to cross-examine any witnesses. The Board of Arbitrators shall furnish to the City and to the Company transcripts of the testimony and evidence presented to it and of its findings and decision.

Any modification of the management fee to be paid to the Company for maintaining and operating the Generating Facilities made by the Board shall conform to Section 2.3 of this Agreement and shall be subject to judicial review on the petition of application of either the City or the Company if either deems that such modification of said management fee does not conform to said Section 2.3, but all other decisions of a majority of the Board shall be final and binding on the City and the Company provided

only the Board conducts its hearings properly and lawfully. The expenses of arbitration shall be borne equally by the City and the Company.

3.6 Notices, bills, protests, and communications hereunder shall be deemed to be duly given and properly delivered if in writing and sent by mail postage prepaid addressed to the respective parties at the addresses stated below or such other address as they shall, respectively, hereafter designate in writing, or if personally delivered to any officer of the respective parties at said respective addresses:

Upper Peninsula Power Company
600 E. Lakeshore Drive
Houghton, Michigan 49931

City of Escanaba
City Hall
P.O. Box 948
Escanaba, Michigan 49829

3.7 This Agreement shall take effect on the _____ day of _____, 2002, and shall remain in full force and effect until terminated. It may be terminated at any time by mutual agreement. It may also be terminated upon not less than 36 months' written notice, given by either of the parties hereto to the other party.

3.8 This Agreement is executed in several counterparts, each of which shall be deemed an original; but all of such counterparts shall constitute but one and the same instrument, which shall for all purposes be sufficiently evidenced by any such original counterpart.

IN WITNESS WHEREOF, the City has caused this Agreement to be duly executed and delivered in its name and behalf by its Mayor and its corporate seal to be hereunto affixed and attested by its City Clerk, each thereunto duly authorized; and the Company has caused this Agreement to be duly executed and delivered in its name and

behalf by its President and its corporate seal to be hereunto affixed and attested by its
Secretary, each thereunto duly authorized, all as of the day and year first above written.

CITY OF ESCANABA, MICHIGAN

By: _____
Mayor

Attest:

City Clerk

UPPER PENINSULA POWER COMPANY

By: _____
President

Attest:

Secretary

OFFICE OF CITY CLERK

DATE: May 20, 2002

To the CITY MANAGER:

At the May 16, 2002, regular meeting of the City Council, the matter was referred to you for the appropriate disposal for specific action as indicated:

The Council gave approval of three agreements with the Upper Peninsula Power Company (UPPCO).

DOCUMENTS ATTACHED:


Robert S. Richards, CMC
CITY CLERK

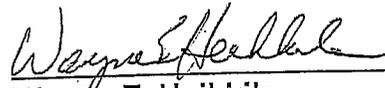
OFFICE OF THE CITY MANAGER

To Robert Headder Date 5/21/02

Please note above which is re-referred for action as below:

- ① To Comply
- 2. To investigate and report with recommendation.
- 3. To dispose, no report necessary.
- 4. See _____
- 5. _____

DOCUMENTS ATTACHED:


Wayne E. Heikkila
Interim Manager

Memo

To: Wayne Heikkila, Interim City Manager

From: Robert Headden, Electric Department Superintendent 

CC: Ralph B. K. Peterson, Mike Dewar

Date: 5/10/02

Re: UPPCO Agreements

Please find attached the following agreements:

- 1) Capacity Sales Agreement between the City of Escanaba and Upper Peninsula Power Company
- 2) Second Supplement to April 22, 1982 Agreement for Wholesale Electric Service between Upper Peninsula Power Company and City of Escanaba, Michigan
- 3) Generating Facilities Operating Agreement between the Upper Peninsula Power Company and the City of Escanaba, Michigan

The agreements are for all practical purposes in their final form. I am comfortable with the agreements as they stand. However, I am still negotiating some minor word changes that would give me a slightly higher degree of comfort. These agreements should be distributed to the City Council and put on the May 16, 2002 Council Meeting Agenda for discussion and possible approval. I have included a brief summary with each agreement.

There is one additional agreement connected to the Generating Facilities Operating Agreement that may or may not be presented to the Council at another date. It deals with a specific point in time for the City to take over insurance requirements for the Power Plant and the Peaking Generator.

I will provide the copies of the Agreements for signing if they are approved.

If there are any questions or comments, please call me.

May 9, 2002 Summary

Document: Generating Facilities Operating Agreement between the Upper Peninsula Power Company and the City of Escanaba, Michigan

Action to Be Considered: Approval

Effective Date: At time of Approval by Both Parties

Term: Remains in force until terminated by mutual agreement of both parties or three years notice by one party

Major Points of Agreement:

- 1) This is a modification to the existing Plant Operating Agreement to allow UPPCO to maintain the new peaking generator.
- 2) A new provision is included at UPPCO's request to require the City to provide its own insurance under certain conditions.

What happens if this Revised Agreement is not approved? The existing Plant Operating Agreement will remain in effect for the Power Plant. However, the City will have to hire another contractor or its own people to maintain the peaking generator.



NB #4
12-11-13

MAILING ADDRESS: P.O. BOX 6113 ■ DE PERE, WI 54115-6113
STREET ADDRESS: 801 O'KEEFE ROAD ■ DE PERE, WI 54115
PHONE: 920-338-6500 ■ Toll Free: 866-899-3204 ■ Fax: 920-338-6501 ■ www.atcllc.com

November 12, 2013

Robert Richards
Escanaba City Clerk
410 Ludington St
Escanaba, MI 49829

Dear Mr. Richards:

This is to let you know that construction is about to begin on the new transmission line between the Chandler Substation on County Road D 11 and the Old Mead Road Substation near the NewPage mill in Escanaba.

MJ Electric of Iron Mountain is the construction contractor that will build the new transmission line. Asplundh Tree Expert Co. is the forestry contractor that will clear the new right-of-way for the line. Work is expected to start in early December. Construction will continue through the winter and into spring, with the line placed in service in June 2014. We will restore the right-of-way after construction is complete and as ground conditions permit.

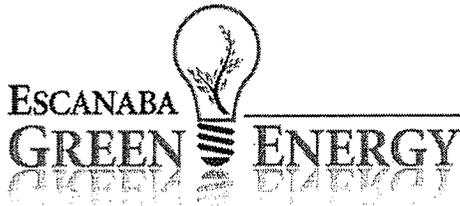
If you have questions about the work, please contact our construction coordinator, Harold Reichardt, 906-239-9199. If you have questions about the project in general, please call or email me using the contact information below.

Thank you for your patience as we begin the project to help keep the lights on in the Escanaba area.

Sincerely,

A handwritten signature in black ink that reads "Brett French". The signature is written in a cursive style.

Brett French
External Relations Manager
bfrench@atcllc.com
866-899-3204, ext. 7902 (office)
906-396-1148 (cell)



NB#5
12-11-13

December 5, 2013

Dear Jim:

Here is EGE's latest update.

Escanaba Green Energy has arranged for an alternative provider of the \$1,000,000 deposit that the financing requires. This investor requires EGE to make two deposits, which covers the cost of documentation and closing of the loan. The first deposit has been made and as a result, has kicked off the loan process. The second deposit has been secured and is being held pending the securing of the final loan commitment at which time it will be used to finalize the closing of the loan. EGE expects to receive the closing date from the lender within the next week to 10 days.

Regards.

(original signed)

Charles Detiege