



CITY COUNCIL/ELECTRICAL
ADVISORY COMMITTEE
November 12, 2014 – 6:00 p.m.
Regular Meeting

CITY COUNCIL

Marc Tall, Mayor
Ronald Beauchamp, Mayor Pro-Tem
Patricia Baribeau, Council Member
Michael Sattem, 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, November 12, 2014

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 Escanaba 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 Escanaba Power Plant.
3. **Discussion – Electric Utility Fund Review and Rate Stabilization.**
Explanation: Administration will provide a review of the current financial status of the Electric Utility Fund which supports the day-to-day activities of the electrical operations along with an electrical rate stabilization recommendation for the remainder of the current fiscal year.
4. **Update – Escanaba Wholesale Power Supply Costs.**
Explanation: Administration will update the EAC, City Council and the Citizens of Escanaba on the City's current and future wholesale energy supply costs.
5. **Update – U.P. Energy Summit Recap.**
Explanation: Administration will update the EAC, City Council and the Citizens of Escanaba on the U.P. Energy Summit which was held on October 28, 2014.

6. Approval – Tree Trimming Contractor.

Explanation: Administration is seeking Council approval to retain Bugle Contracting, Inc of Cornell, MI in an amount not to exceed \$20,000 for tree trimming throughout the electrical distribution system.

7. Discussion – MISO Attachment Y Filing.

Explanation: Administration will discuss options (plant suspension or plant retirement) available to the City of Escanaba regarding the submission of a new Attachment Y to MISO. Upon the submission, MISO will perform a reliability-based evaluation to determine the impact of the Escanaba Power Plant to the MISO system. A new Attachment Y must be filed by the City no later than December 14, 2014.

8. Update – Escanaba Power Plant Purchase Agreement/Sale.

Explanation: An update on the sale of the Escanaba Power Plant will be provided.

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, October 8, 2014

Pursuit to a meeting notice posted October 8, 2014, 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 Michael R. Satten.

Absent: None

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

Absent: Two vacancies, and Power Plant Liaison.

Also Present: City Manager James V. O'Toole, Electric Superintendent Mike Furmanski, City Controller Michael Dewar, Jack Scott of Pro Energy Services, Inc., Charles DeTiege of Escanaba Green Energy (EGE), members of the public and media.

Blasier moved, Beauchamp 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.

Electrical Superintendent Mike Furmanski updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on the current departmental activities.

- Normal end of year requests;
- Pole change outs and residential service installations;

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

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

Joint City Council & Electrical Advisory Minutes
October 8, 2014 – cont.

- No accidents or injuries were reported in September;
- No Air Monitoring deviations, NPDES violations, or Groundwater deviations in the month of September;
- Power Plant Units did not run in September;
- Reported no repairs or maintenance with the Combustion Turbine;
- Reviewed maintenance during the month of September.

Update – Presque Isle, Escanaba, & White Pine SSR Agreements

Electric Superintendent Mike Furmanski updated the EAC, City Council and the citizens of Escanaba on the Presque Isle, Escanaba, and White Pine SSR Agreements. He advised:

- Filings were made;
- Load Balancing Area discussions were ongoing;
- Reviewed SSR payments;
- Discussion took place on the future of electrical power in the Upper Peninsula;
- Discussed possible electric rate changes.

Approval – Legal Services

Administration sought Council approval to enter into a professional services agreement with Troutman Sanders to file necessary legal documents related to SSR agreements being filed with FERC. This agreement was for the sale of the power plant. Now it is including SSR agreements.

NB-6 Baribeau moved, Blasier seconded, **CARRIED UNANIMOUSLY**, to approve to enter into a professional services agreement with Troutman Sanders to file necessary legal documents related to SSR agreements being filed with FERC.

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

Ayes: Baribeau, Blasier, Sattem, Beauchamp, Tall
Nays: None

MOTION CARRIED.

Approval – Pole Testing

Administration sought Council approval to retain Karc Utility Services, LLC of Seymour, WI to continue routine integrity testing and treatment of electrical distribution poles within the City electrical distribution system.

NB-7 Blasier moved, Beauchamp seconded, to approve to retain Karc Utility Services, LLC of Seymour, WI to continue routine integrity testing and treatment of electrical distribution poles within the City electrical distribution system limit in an amount not to exceed \$12,000.00.

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

Ayes: Blasier, Beauchamp, Baribeau, Sattem, Tall
Nays: None

MOTION CARRIED.

Approval – Pole Replacement

Administration sought Council approval to accept the pole replacement bid from MJ Electric, LLC of Iron Mountain, MI. in an amount of \$83,000.00.

NB-8 After discussion, Sattem moved, Beauchamp seconded, to approve the pole replacement bid from MJ Electric, LLC of Iron Mountain, MI. in the amount of \$83,000.00.

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

Ayes: Sattem, Beauchamp, Baribeau, Blasier, Tall
Nays: None

MOTION CARRIED.

Update – Power Plant Purchase Agreement/Sale.

EGE Representative Charles DeTiege provided an update on the sale of the Escanaba power plant. Mr. DeTiege advised the following:

- Funds were in the accounts;
- Closing and date information would be provided next week, with EGE closing possibly by the end of the month;
- Funds would be put in Escrow.

GENERAL PUBLIC COMMENT

Ann Bissell advised the candidate forum was scheduled for October 13th.

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 6:41 p.m.

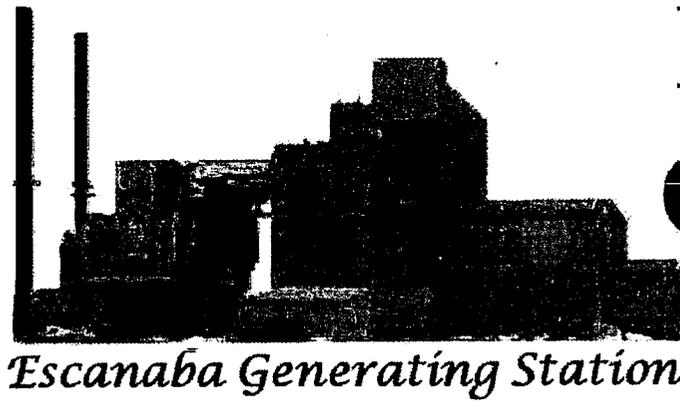
Respectfully submitted,

Robert S. Richards
City Clerk

Approved: _____
Marc D. Tall, Mayor

Escanaba Operating Services
Monthly Report
October 2014

NB #2
CC/ERC
11/12/14



Escanaba
Operating
Services

Executive Summary

The power plant was operated once during the month of October 2014, as described in the tables below.

Key Performance Indicators

Measure	Unit of Measure	Month	Year to Date
Steam Plant Gross Electrical Generation	MWH	665	19939
Unit 1 Net Electrical Generation	MWH	244	8438
Unit 2 Net Electrical Generation	MWH	226	5179
Unit 1 Hours of Operation	Hours	43.2	1419.2
Unit 2 Hours of Operation	Hours	38.5	1273.8
Coal Consumption	Tons	337.4	11038.2
Coal on Dock	Tons	3160	3160
Steam Plant Net Heat Rate	BTU/KWH	n/a	n/a
Plant Availability	%	100%	84.5%
Combustion Turbine Gross Electrical Generation	MWH	0	374.6
Combustion Turbine Station Service	MWH	17.1	300.1
Combustion Turbine Hours of Operation	Hours	0	65.5
Fuel Oil Consumption	Gallons	0	67664
Combustion Turbine Availability	%	100%	100%

Operations Summary

Unit Starts

Units 1 and 2 were started once during the month. There were hot spots forming in the bunker from spontaneous combustion of the coal. The plant started the boilers to burn off the hot coal.

Unit	Date	On-Line Time	Off-Line Time	Reason
1	10-30	4:50		Hot Spot in Coal – Then MISO Picked up.
1	11-1		10:50	MISO Request
2	10-30	9:28		Hot Spot in Coal – Then MISO Picked up.
2	11-1		7:05	MISO Request
CTG	None			The Combustion Turbine was not started in October.

Unit Trips and Unplanned Outages

There were no unit trips or unplanned outages during the month.

Unit	Date	Breaker Open Time	Unit Released	Duration (Hours)	Cause
1	None				
2	None				
CTG	None				

Planned Outages

There were no planned outages during the month.

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

Forced Outages /Load Limitations

There were no forced outages or load limitations during the month.

NOx emissions.

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

Maintenance Activities

Plant Major Maintenance Activities for October 2014

Unit 1 and 2

Routine maintenance and equipment replacements occurred throughout the month. The plant began preparation for the coming winter months. A number of broken windows were replaced with plexiglass. Heat trace lines were tested and repaired as required. Six inch duct work was installed on the track hopper. The duct work will carry heat to the track hopper from a propane heater. This system will prevent the track hopper from freezing in the winter. All of the plant unit heaters were checked. Inoperable heaters in the precipitator building were repaired. The plant revolving screens became plugged with numerous leaves. It was necessary to clean the screens twice a day to keep the leaves on the screen from cutting off the water flow to the plant. All of the large pressure gauges in the plant were calibrated for accuracy. There were several leaks in the vacuum priming system that were repaired by maintenance. A new computer cable was installed on the opacity monitors. Maintenance replaced the conveyer belt and turnbuckle. All of the plant opacity monitors were calibrated on Unit 1 and 2. The front boiler walls of both units were inspected. There were eight blistered tubes that were weld repaired. Two damaged pump house screens were repaired and replaced. The Unit heaters at the CTG were checked and found to be in good condition. Maintenance checked the lubrication levels on all of the plant pumps and rotating machinery.

Combustion Turbine

There was no major maintenance required for the Combustion Turbine during the month.

Balance of Plant Outstanding Issues

There were no outstanding issues during the month.

Emissions Compliance Overview-Air/Water

- There was one Air Monitoring deviation in the month of October.

Air Monitoring Deviations

Start Date	Start Time	End Date	End Time	Opacity Parameter	Cause
10/31	1:48	10/31	1:54	44%	During a Capacity Test the Cinder Return Tubes became plugged which caused an opacity exceedance.

Water – NPDES Permit Deviations

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

Water – Groundwater

- There were no Groundwater deviations during the month of October.

Water Monitoring Deviations

Start Date	End Date	Parameter	Cause
None			

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 October.

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 2014 calendar year from Jan 1 through December 31.)

Item	Month	Year to Date
Total Man-Hours Worked	2885.5	26501
Total Number of Standard Time (ST) Hours	2476	22447
Total Number of Overtime (OT) Hours	212.5	2041.5
Total Number of Double Time (DT) Hours	197	2338.25

Zimbra

jotoole@escanaba.org

Joint EAC/CC Meeting Agenda Item

NB# 3
CC/EAC 11/12/14

From : Jim O'Toole - City Manager <jotoole@escanaba.org> Fri, Nov 07, 2014 10:13 AM
Subject : Joint EAC/CC Meeting Agenda Item 1 attachment
To : Kimberly Peterson <kpeterson@escanaba.org>

From: "Mike Dewar - City Controller" <mdewar@escanaba.org>
To: "Jim O'Toole - City Manager" <jotoole@escanaba.org>, "Mike Furmanski - Electric Superintendent" <mfurmanski@escanaba.org>
Sent: Thursday, November 6, 2014 12:24:52 PM
Subject: Joint EAC/CC Meeting Agenda Item

For the next joint EAC/CC, I would like to provide the boards with a couple of brief updates; toward that end, I've attached a pdf packet that I would ask be included with the agenda.

The first item to discuss is providing the boards with a brief status update on the SSR situation, including background information on costs, calculations and impacts on the Electric Utility operations. This information is included on the first four pages. Most of the information presented here has already been discussed by Mike F., but this presents a nice segue into the second issue.

The next four pages - and the second topic of discussion - would be an update on the financial position of the Electric Utility Fund. It includes the Balance Sheet (including cash), the Income Statement and a cash flow analysis for both the last two years and the last 13 years. The statements should be considered tentative until we resolve the coal inventory issue, which I will discuss briefly at the meeting. Presentation of this information will provide a background to the boards for the third issue.

The next two pages - and the third topic of discussion - will be the impact of the first two topics on future rate making decisions. While administration's recommendation will be presented by Jim, this provides an appropriate context for those discussions.

(I would ask that this e-mail be included in the agenda packet, to serve as a "cover letter")

Michael Dewar, City Controller
(906) 789-7300



EACCCAgendaItem.pdf

435 KB

CITY OF ESCANABA RATE ANALYSIS

City of Escanaba SSR Responsibilities

The City of Escanaba is currently responsible for a portion of the monthly charges for three (3) separate SSRs:

City of Escanaba Steam Plant	\$3.7 MILLION ANNUALLY
Presque Isle Power Plant	\$52.2 MILLION ANNUALLY
White Pine Power Plant	\$4.7 MILLION ANNUALLY

The original cost allocation process required the allocation of the SSR payments to be spread over all Load Serving Entities (LSE's) within the ATC footprint. Under this method, the UPPC Local Balancing Authority (LBA) - which serves the City of Escanaba - was responsible for for approximately 2% of the SSR costs.

Based on various parties' protest of the original allocation methodology, FERC ruled that cost allocation had to be revised.

Under the current cost allocation process, the SSR payments are spread over the LBA's that "benefit" from the plant continuing to operate. Under this practice, the UPPC LBA is responsible for a different percentage of each of the three SSRs. The revised allocations have the UPPC LBA being responsible for the following percentages of each SSR:

City of Escanaba Steam Plant	94.10%
Presque Isle Power Plant	5.66%
White Pine Power Plant	12.00%

Once costs are allocated to the responsible LBAs, the City of Escanaba's share of the UPPC LBA is determined based upon the "actual energy withdrawals at commercial pricing nodes for the monthly peak hour within each LBA". For calculation purposes, this means that one of the calculation components will change each month, although it will generally fall within a small range, because both the UPPC and the City's peak will vary from month to month.

CITY OF ESCANABA RATE ANALYSIS

Summary of SSR Uncertainties

Since the MISO and FERC rulings on the City of Escanaba's original SSR request, both parties have been faced with a number of issues which impact how those costs are to be allocated. Each time MISO and FERC have ruled on the issues, they been faced with a number of challenges to those outcomes. Some of those outcomes have already been implemented, while others await final disposition. Depending on the specific issue, the outcomes may or may not directly impact the City of Escanaba. Most of these issues remain "open", in the sense that there are parties who are seeking to have changes made to their rulings. For the issues listed below, it is important to understand that the final outcomes will impact most utilities in different ways. The impact to the City of Escanaba will be unique from the outcome to any other utility; this is important because as other utilities discuss the impact on THEIR operations, it will not necessarily impact the City of Escanaba in the same way.

Changing the SSR allocation from the whole ATC footprint to those LBAs which benefit from the plant's continued operation

This issue has been ruled upon by FERC and implemented by MISO. The general impact of this ruling has resulted in the allocation of the SSRs over a smaller footprint; generally, the costs have been moved from Wisconsin entities to UP entities. The impact of this ruling on the City of Escanaba is shown on a later slide.

Allowing WEC to split their LBA into two separate LBAs

This issue has been ruled upon by FERC, with a December, 2014 implementation date scheduled for by MISO. The impact of this ruling is to shift additional SSR costs from Wisconsin to the UP, although the requester (WEC) has maintained that SSR allocation was not a factor in their making the request. Based on current rules and procedures, this ruling has NO direct effect on the City of Escanaba; future rulings, for example the treatment of Cloverland Electric, may have an impact if the outcome is to shrink the footprint over which the costs are allocated.

Request by WEC to increase the annual SSR reimbursement at Presque Isle from \$52.2 million to \$97 million

The outcome of this issue is still pending; the impact to the City of Escanaba is shown on a later slide.

Request by various entities to allocate SSR costs by CP nodes, not across LBA's

Some entities are calling upon FERC/MISO to allocate SSR costs on an even smaller footprint - using CP nodes, instead of LBA's. How this would impact the City of Escanaba is not specifically known, but it is reasonable to speculate that our share of the SSR costs for both Presque Isle and White Pine would go down, while the costs for our own SSR would go up.

CITY OF ESCANABA RATE ANALYSIS

Calculation of SSRs

Calculation of the monthly SSR charge involves a number of variables. Some of the variables are static (absent any further modification by MISO or FERC), while other variables change each month. The most relevant points from this slide are:

By understanding the calculation, it is easier to understand the impact that the various MISO & FERC rulings will have on the City of Escanaba

Because the monthly charge calculation has variable components, it is impossible to "predict" exact outcomes; in fact, the City doesn't know what the monthly charges will be until nearly two months after the last day of the month. Because of this fact, any SSR cost calculations represented in this document are, at best, estimates of those costs. In most cases, the figures will represent the "worst case" scenario, but in reality, the costs could go higher.

Calculation components include:

Monthly "Fixed" Reimbursement (MFR)

The annual reimbursement for each plant is a fixed, agreed upon amount. In most cases, the MFR represents 1/12 of this amount, although in the case of the White Pine SSR, they are being reimbursed for an overhaul project that only impacts six months.

Under the SSR agreements, plants are theoretically prevented from either making money or losing money when they are directed to operate and they sell both energy and capacity into the market; the sale of these products serves to reduce the MFR. For this reason, this component of the calculation is a variable component; in some cases, this component will vary significantly from the original reimbursement calculation.

LBA Allocation Factor (LBAAF)

This component represents the LBA's (in our case, UPPC) proportion of the "benefit" provided by the continued operation of the plant. As discussed earlier, the UPPC has a different allocation percentage for all three SSRs. Typically, this component is static, but has seen major modifications as FERC and MISO have handed down their various rulings.

LSE Monthly Peak Factor (LSEMPF)

This component represents the LSE's share of the LBA allocation, as represented by the LSE's peak demand at the time of the LBA peak. In our case, it compares our peak demand to the peak of the UPPC LBA. Because the peak measurements are variable, this amount will vary from month to month, although it will be the same figure for all three SSRs in any given month. The City has seen our share of the UPPC LBA vary from approx. 11% to 14.5% over the last year.

The monthly SSR charge for EACH SSR equals: **MFR Times LBAAF Times LSEMPF**

CITY OF ESCANABA RATE ANALYSIS

Theoretical Cost Calculation of the Three SSRs for Which the City Shares Responsibility

As discussed, due to the variable components in the monthly SSR charge formula, there is no way to predict future SSR charges from the three plants that the City has shared responsibility for. Using certain assumptions, however, can provide a general analysis of the impact of rulings that have been handed down by FERC and MISO. For purposes of this illustration, the following assumptions will be made:

Monthly Fixed Reimbursement (MFR) is assumed to be the agreed upon reimbursement for each SSR plant; no adjustments are made for the sale of generation and capacity.

The LBA Allocation Factor (LBAAF) assumption will show the allocation percentage both before and after the recent FERC ruling which shifted a large share of the reimbursement from Wisconsin entities to Upper Peninsula entities.

The LSE Monthly Peak Factor (LSEMPF) will be assumed to be 13%; this represents an approximation of the actual monthly amounts over the last six months.

<u>Plant</u>	<u>Annual Total</u>	<u>Original LBA</u>	<u>Revised LBA</u>	<u>Original Reimbursement</u>	<u>Current Reimbursement</u>	<u>Proposed Reimbursement</u>
City of Escanaba	\$3,700,000	2.00%	94.10%	\$9,620	\$452,621	\$452,621
Presque Isle - Current Reimbursement	\$52,200,000	2.00%	5.66%	135,720	384,088	N/A
Presque Isle - Proposed Reimbursement	\$97,000,000		5.66%	N/A	N/A	713,726
White Pine	\$4,700,000	2.00%	12.00%	12,220	73,320	73,320
				<u>\$157,560</u>	<u>\$910,029</u>	<u>\$1,239,667</u>
					<u>\$752,469</u>	<u>\$1,082,107</u>
					<u>5.92%</u>	<u>8.51%</u>

CITY OF ESCANABA, MICHIGAN

ELECTRIC UTILITY FUND
COMPARATIVE STATEMENT OF NET POSITION

June 30, 2014 and 2013

	June 30	
	2014	2013
ASSETS:		
Current assets:		
Cash and equivalents	\$ 131,314	\$ 137,279
Investments, at market	12,447,891	12,535,929
Receivables		
Accounts, net bad debt allowance	2,990,128	3,099,626
Accrued interest	117,888	71,523
Inventories, net of obsolescence allowance	1,101,705	1,466,661
Prepaid expenses	406,913	357,617
Total current assets	17,195,839	17,668,635
Advance to Escanaba Building Authority Fund	1,250,000	-
Property, plant and equipment	34,930,957	35,114,828
Less: accumulated depreciation	(26,726,519)	(26,320,268)
Net property, plant and equipment	8,204,438	8,794,560
TOTAL ASSETS	\$ 26,650,277	\$ 26,463,195
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 1,609,650	\$ 1,488,020
Customer deposits	237,205	224,497
Accrued salaries, wages and fringes	79,788	79,578
Unearned revenue	1,512,827	1,427,724
Total current liabilities	3,439,470	3,219,819
NET POSITION:		
Net investment in capital assets	8,204,438	8,794,560
Unrestricted	15,006,369	14,448,816
TOTAL NET POSITION	23,210,807	23,243,376
TOTAL LIABILITIES AND NET POSITION	\$ 26,650,277	\$ 26,463,195

DRAFT - FOR INTERNAL USE ONLY

CITY OF ESCANABA, MICHIGAN

**ELECTRIC UTILITY FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

For the Years Ended June 30, 2014 and 2013

	June 30	
	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Charges for services:		
Residential sales	\$ 3,813,895	\$ 3,803,413
Hot water sales	28,255	29,685
Electric heat sales	32,803	26,281
Commercial sales	3,350,915	3,278,804
Industrial sales	4,960,199	4,767,736
Municipal rate sales	495,265	495,502
Street lighting	161,665	162,881
Interchange revenue	1,519,184	804,465
Connection charges	20,790	21,456
Energy optimization surcharge	190,225	208,134
Renewable energy surcharge	1,892	3,443
MISO SSR	3,710,280	3,710,280
Dusk to dawn lighting	48,715	48,123
Miscellaneous	63,957	79,045
TOTAL OPERATING REVENUES	<u>18,398,040</u>	<u>17,439,248</u>
OPERATING EXPENSES:		
Production	15,212,635	14,120,792
Transmission and distribution	403,480	449,157
Customer service	15,778	14,539
Administrative and general	1,256,958	1,694,366
Provision for depreciation	885,610	806,800
Overhead to utilities	532,208	549,410
TOTAL OPERATING EXPENSES	<u>18,306,669</u>	<u>17,635,064</u>
OPERATING INCOME (LOSS)	<u>91,371</u>	<u>(195,816)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	2,675	(164,909)
Gain (loss) on sale of property	600	1,100
Interest earnings	282,195	258,924
Operating transfers in:		
Health Insurance Fund	37,267	-
Operating transfers out:		
General Fund	(463,624)	(463,624)
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>(140,887)</u>	<u>(368,509)</u>
CHANGE IN NET POSITION	<u>(49,516)</u>	<u>(564,325)</u>
Net position, beginning of year, as previously reported	23,243,376	23,628,450
Prior period adjustment	-	164,901
Net position, beginning of year, as restated	<u>23,243,376</u>	<u>23,793,351</u>
Contributed capital	16,947	14,350
NET POSITION, END OF YEAR	<u>\$ 23,210,807</u>	<u>\$ 23,243,376</u>

DRAFT - FOR INTERNAL USE ONLY

CITY OF ESCANABA, MICHIGAN

**ELECTRIC UTILITY FUND
STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2014
With Comparative Totals for June 30, 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 18,605,349	\$ 16,916,033
Cash payments to suppliers for goods and services	(14,073,846)	(12,828,156)
Cash payments to employees for services	(2,903,178)	(3,446,308)
Cash payments to other funds for services	(6,535)	(7,526)
	<u>1,621,790</u>	<u>634,043</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating transfers in	37,267	-
Operating transfers out	(463,624)	(463,624)
	<u>(426,357)</u>	<u>(463,624)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Advances to other funds	(1,250,000)	-
Acquisition and construction of capital assets	(278,541)	(325,301)
Proceeds from the sale of capital assets	600	1,100
	<u>(1,527,941)</u>	<u>(324,201)</u>
NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES		
	<u>(1,527,941)</u>	<u>(324,201)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	2,675	(164,909)
Interest received	235,830	249,075
	<u>238,505</u>	<u>84,166</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
	<u>238,505</u>	<u>84,166</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	<u>(94,003)</u>	<u>(69,616)</u>
Cash and equivalents, beginning of year	<u>12,673,208</u>	<u>12,742,824</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 12,579,205</u>	<u>\$ 12,673,208</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>91,371</u>	<u>(195,816)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	885,610	806,800
Prior period adjustment	-	164,901
Changes in assets and liabilities:		
(Increase) decrease in receivables	109,498	(918,930)
(Increase) decrease in inventories	364,956	682,767
(Increase) decrease in prepaids	(49,296)	(37,414)
Increase (decrease) in accounts payable	121,630	(114,703)
Increase (decrease) in accruals	210	15,624
Increase (decrease) in customer deposits	12,708	(23,658)
Increase (decrease) in unearned revenue	85,103	254,472
	<u>1,530,419</u>	<u>829,859</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,621,790</u>	<u>\$ 634,043</u>

DRAFT - FOR INTERNAL USE ONLY.

CITY OF ESCANABA

u:\123R3\ELECTRIC\Financial\13YrCashflow063014

Electric Utility Fund

Reconciliation of Cashflow - 7/1/01 through 6/30/14

BALANCE SHEET ANALYSIS

	Comparative Balance Sheet		Change	
	6/30/01	6/30/14		
Cash & Investments	\$25,567,145 (A)	\$12,579,205 (H)	(\$12,987,940)	
Receivables	1,978,210	4,358,016	2,379,806 (C)	
Inventory - Including Fuel	<u>962,969</u>	<u>1,508,618</u>	<u>545,649</u> (F)	
Current Assets	\$28,508,324	\$18,445,839	(\$10,062,485)	
Property, Plant & Equipment	\$21,673,408 (L)	\$34,930,957 (M)	\$13,257,549 (D)	
Less: Accumulated Depreciation	<u>(16,275,612)</u>	<u>(26,726,519)</u>	<u>(10,450,907)</u> (E)	
Net P, P&E	<u>\$5,397,796</u>	<u>\$8,204,438</u>	<u>\$2,806,642</u>	
TOTAL ASSETS	<u>\$33,906,120</u>	<u>\$26,650,277</u>	<u>(\$7,255,843)</u>	
Current Liabilities	\$1,617,061	\$3,439,470	\$1,822,409 (G)	
Fund Equity	<u>32,289,059</u>	<u>23,210,807</u>	<u>(9,078,252)</u> (B)	
TOTAL LIABILITIES & FUND EQUITY	<u>\$33,906,120</u>	<u>\$26,650,277</u>	<u>(\$7,255,843)</u>	
Beginning Cash Balance		\$25,567,145 (A)		
Net Income / (Loss)	(9,461,982) (J)			
Contributed Capital	<u>383,731</u> (K)	(9,078,251) (B)		
Decrease in Inventory - Including Fuel		(545,649) (F)		
Net Investment in P, P&E		(13,257,549) (D)		
Add Back Depreciation		10,450,907 (E)		
Change in Receivables		(2,379,806) (C)		
Change in Current Liabilities		<u>1,822,409</u> (G)		
Ending Cash Balance		<u>\$12,579,206</u> (H)		

FUND EQUITY ANALYSIS

	Net Income / (Loss)	Contributed Capital	TOTAL
Year Ended 6/30/2002	\$157,923	\$1,690	\$159,613
Year Ended 6/30/2003	1,087,896	0	1,087,896
Year Ended 6/30/2004	(293,133)	12,900	(280,233)
Year Ended 6/30/2005	(1,280,548)	20,254	(1,260,294)
Year Ended 6/30/2006	(2,411,269)	64,636	(2,346,633)
Year Ended 6/30/2007	490,879	9,200	500,079
Year Ended 6/30/2008	(468,699)	1,193	(467,506)
Year Ended 6/30/2009	(2,048,364)	633	(2,047,731)
Year Ended 6/30/2010	(2,569,127)	0	(2,569,127)
Year Ended 6/30/2011	(785,328)	0	(785,328)
Year Ended 6/30/2012	(728,371)	77,027	(651,344)
Year Ended 6/30/2013	(564,325)	179,251	(385,074)
Year Ended 6/30/2014	<u>(49,516)</u>	<u>16,947</u>	<u>(32,569)</u>
	<u>(\$9,461,982)</u> (J)	<u>\$383,731</u> (K)	<u>(\$9,078,251)</u> (B)

PROPERTY, PLANT & EQUIPMENT ANALYSIS

	Balance @ 7/1/01	Balance @ 6/30/14	Change
Generating Plant	\$11,155,276	\$16,335,618	\$5,180,342
CT	0	4,956,354	4,956,354 10,136,696
Transmission System	1,265,126	814,099	(451,027)
Distribution System	<u>9,253,006</u>	<u>12,824,886</u>	<u>3,571,880</u>
Total P, P&E	<u>\$21,673,408</u> (L)	<u>\$34,930,957</u> (M)	<u>\$13,257,549</u> (D)

CITY OF ESCANABA RATE ANALYSIS

Projection and Comparison of Electric Production Costs

Comparison of Cost Per KWh

		2012/13 <u>Audited</u>	2013/14 <u>Unaudited</u>	14/15 <u>Adjustments</u>	14/15 <u>Projection</u>
ProEnergy Operations		\$2,485,320	\$2,427,159		\$2,427,159
Fuel	AF	684,334	1,305,313		1,305,313
Maintenance		488,990	348,218		348,218
Depreciation		564,972	566,514		566,514
Ash Costs		16,766	22,596		22,596
MDEQ Clean Air ##		42,731	27,179		27,179
Other ##		175,568	174,221		174,221
Management Fee		350,000	350,000		350,000
Dispatching Fee		<u>60,312</u>	<u>58,481</u>		<u>58,481</u>
Steam Generation	A	\$4,868,994	\$5,279,681	\$0	\$5,279,681
CT Operations		\$0	\$0		\$0
CT Fuel		<u>144,953</u>	<u>231,046</u>		<u>231,046</u>
CT Generation	C	\$144,953	\$231,046	\$0	\$231,046
Purchased Power		\$8,225,415	\$8,364,975		\$8,364,975
Purchased Capacity		23,800	25,265	54,735	80,000
Monthly Charges		231,489	292,867		292,867
Transmission Charges		1,187,542	1,192,403	28,437	1,220,840
City of Escanaba SSR		0	30,425	422,196	452,621
Presque Isle SSR		0	54,489	659,237	713,726
White Pine SSR		0	19,498	53,822	73,320
Cargill Swap Contracts		0	0		0
Prior Year Costs		0	286,608	(286,608)	(0)
Rec's		3,570	1,892	39,358	41,250
Standby Power		<u>0</u>	<u>0</u>		<u>0</u>
Purchases	P	\$9,671,816	\$10,268,421	\$971,177	\$11,239,598
TOTAL POWER COSTS	T	<u>\$14,685,762</u>	<u>\$15,779,148</u>	<u>\$971,177</u>	<u>\$16,750,325</u>
Station Generation (MWH)	G	11,458.58	17,122.32		17,122.32
Cost Per KWH	= A / G	\$0.4249	\$0.3084		\$0.3084
Fuel Per KWH	= AF / G	\$0.0597	\$0.0762		\$0.0762
CT Generation (MWH)	CT	265.69	83.06		83.06
Cost Per KWH	= CT / C	\$0.5456	\$2.7817		\$2.7817
TOTAL GENERATION	= G + CT	11,724.27	17,205.38		17,205.38
Cost Per KWH	=(A+C)/(G + CT)	\$0.4277	\$0.3203		\$0.3203
Power Purchases (MWH)	PP	146,890.43	150,329.34		150,329.34
Cost Per KWH	= P / PP	\$0.0658	\$0.0683		\$0.0748
Power Sales (MWH)	PS	11,722.69	17,122.32		17,122.32
Power Sales (\$\$\$)	P	\$804,465	\$1,519,184		\$1,519,184
Revenue per KWH	= P / PS	\$0.0686	\$0.0887		\$0.0887
MISO SSR Receipts	M	\$3,710,280	\$3,710,280		\$3,710,280
NET POWER COSTS	= T - P - M	<u>\$10,171,017</u>	<u>\$10,549,684</u>		<u>\$11,520,861</u>
NET POWER TO CITY	= G + CT + PP - PS	<u>146,892.01</u>	<u>150,412.40</u>		<u>150,412.40</u>
NET COST PER KWH		<u>\$0.0692</u>	<u>\$0.0701</u>		<u>\$0.0766</u>

City of Escanaba

Projections - Electric Fund P&L - Summarized

For Fiscal Year Ended 6/30/15

Alternative #1

	2012/13 <u>Audited</u>	2013/14 <u>Unaudited</u>	2014/15 <u>Projected</u>
Power Sales Revenue	\$12,612,425	\$12,891,711	\$12,891,711
Power Sales - Outside City	804,465	1,519,184	1,519,184
SSR Receipts	3,710,280	3,710,280	3,710,280
Power & Production Costs	(14,120,790)	(15,212,634)	(16,183,811)
Power Plant Depreciation	(564,972)	(566,514)	(566,514)
Gross Operating Profit / (Loss)	\$2,441,408	\$2,342,028	\$1,370,850
Other Operating Revenues	357,107	355,297	355,297
Electric Administrative / Overhead	(1,694,363)	(1,256,960)	(1,256,960)
System Maintenance / Service	(463,696)	(419,256)	(419,256)
System Depreciation	(241,828)	(319,096)	(319,096)
City Administrative Overhead	(549,410)	(532,208)	(532,208)
Gross Operating Profit / (Loss)	(\$150,782)	\$169,804	(\$801,373)
Interest Earnings	214,990	241,629	241,629
Transfers Out	(463,624)	(463,624)	(463,624)
Net Income / (Loss) Before Extraordinary	(\$399,416)	(\$52,191)	(\$1,023,368)
Unrealized Gains / (Losses)	(164,909)	2,675	0
Changes in Inventory Valuations	0	0	0
NET INCOME / (LOSS)	(\$564,325)	(\$49,516)	(\$1,023,368)

Alternative #2

P&L - Per 14/15 Budget	(\$42,673)
Add Back Budgeted Presdque Isle	120,000
Deduct Current SSR Projection	<u>(1,239,667)</u>
	(\$1,162,340)

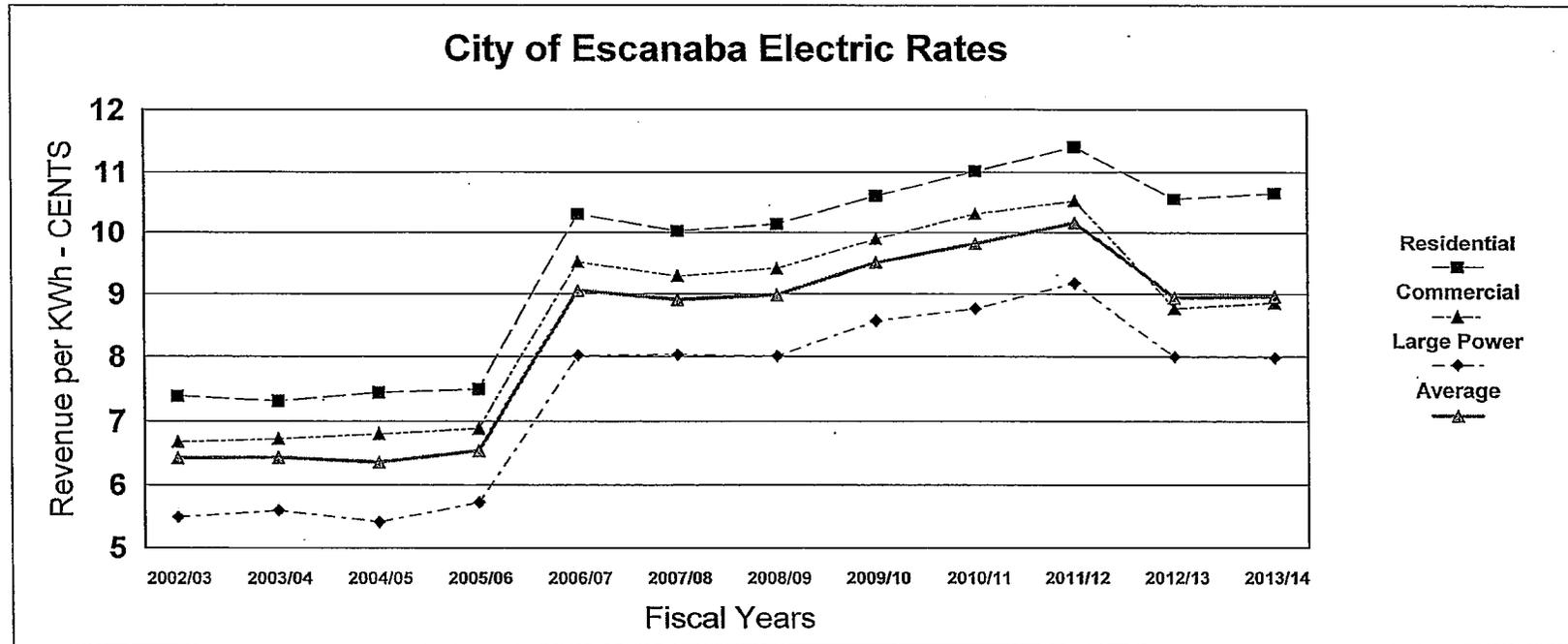
	<u>Alternative #1</u>	<u>Alternative #2</u>
Projected Loss	<u>(\$1,023,368)</u>	<u>(\$1,162,340)</u>
Retail Rate Increase Required	<u>8.05%</u>	<u>9.14%</u>
Projected Loss Less Plant Depreciation	<u>(\$456,854)</u>	<u>(\$595,826)</u>
	<u>3.59%</u>	<u>4.69%</u>

City of Escanaba

Electric Fund P&L Analysis

Twelve Years Ended 6/30/14
Expressed as CENTS per KWh

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	<u>Audited</u>	<u>Unaudited</u>										
Residential	7.3856	7.3105	7.4415	7.4940	10.3016	10.0210	10.1401	10.6082	11.0115	11.4128	10.5547	10.6524
Water Heating	6.7560	6.2422	6.6675	6.9113	9.6240	9.2551	9.4289	9.8420	10.3643	10.6760	9.9818	10.0497
Heating	6.3607	6.2763	6.4454	6.3750	9.1365	8.9307	8.9967	9.3544	9.8382	10.2862	9.0938	9.0285
Commercial	6.6815	6.7317	6.8084	6.8907	9.5069	9.2837	9.4036	9.8846	10.3051	10.5239	8.7767	8.8641
Municipal	6.4757	6.4209	6.3130	6.5797	9.1233	8.9298	9.0927	9.3134	9.8509	10.2589	9.0508	9.0503
Large Power (Industrial)	5.4941	5.6022	5.4149	5.7277	8.0187	8.0261	8.0112	8.5852	8.7701	9.1721	7.9958	7.9796
Street Lighting	5.5623	5.5748	5.6275	5.6710	8.0772	8.0125	7.9681	8.4306	8.7587	9.1053	10.8697	10.9219
Dusk to Dawn (Calculated)	8.2434	8.2377	8.2228	8.2161	9.7726	9.5777	9.5752	10.0224	10.4971	10.9839	9.5744	9.5755
Average	6.4218	6.4300	6.3553	6.5374	9.0494	8.9053	8.9832	9.4991	9.8091	10.1596	8.9397	8.9605
Percentage Change	N/A	0.13%	-1.16%	2.87%	38.43%	-1.59%	0.88%	5.74%	3.26%	3.57%	-12.01%	0.23%



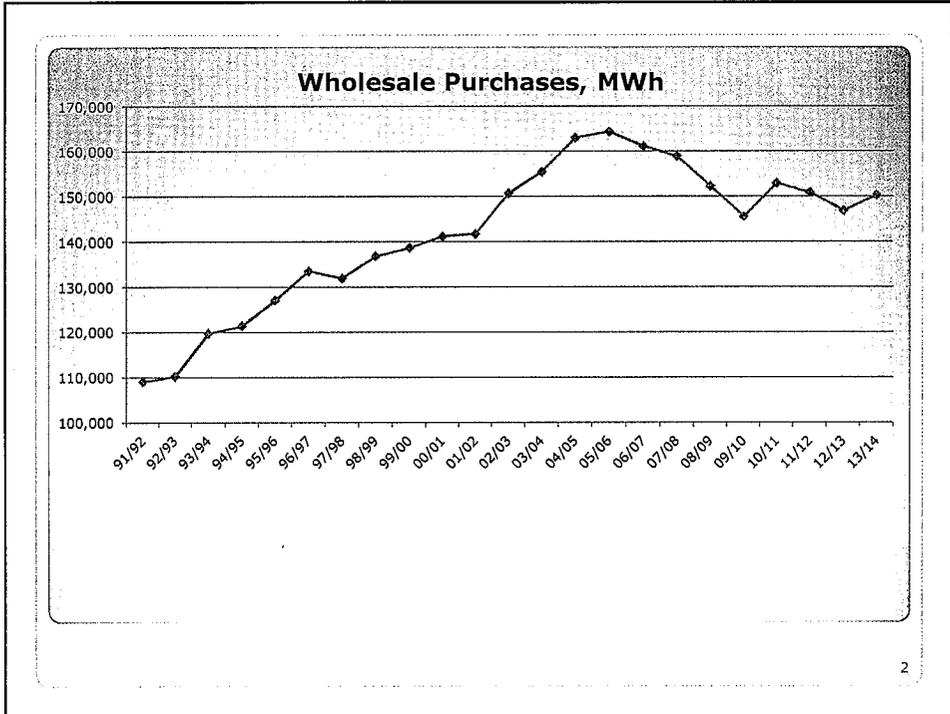
NB#4
CC/EAC

11/7/2014
11/12/14

Power Costs Update

November 12, 2014

1



- Wholesale Energy Components

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

3

- Status of each component

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

4

- **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

5

- **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.
- \$0.20 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

6

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

7

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

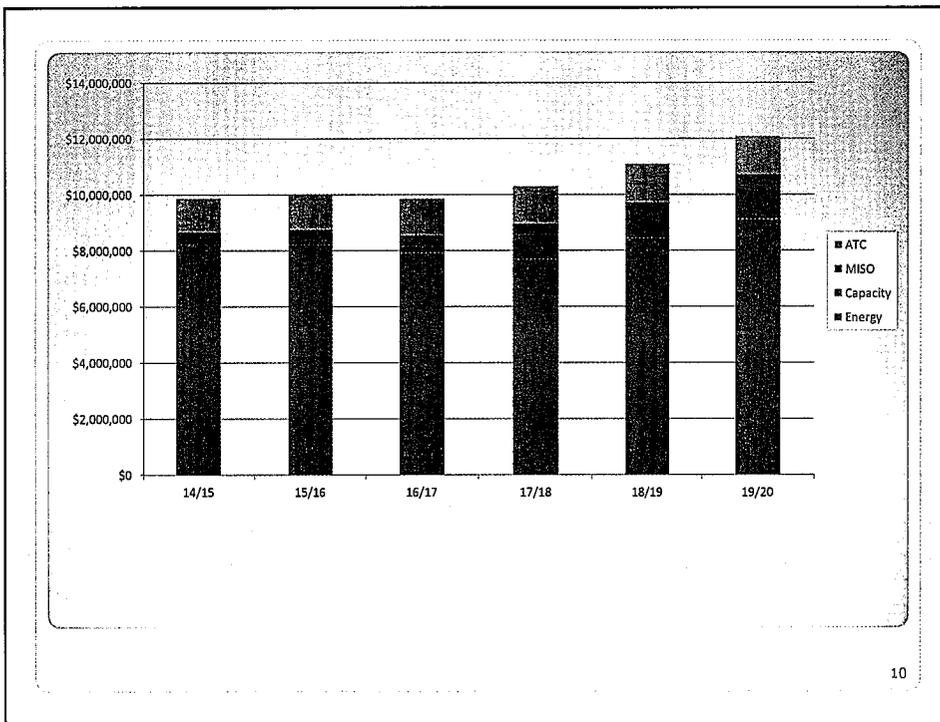
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Energy	\$8,222,400	\$8,222,400	\$7,935,600	\$7,691,280	\$8,454,960	\$9,126,000
Capacity	\$81,600	\$163,200	\$244,800	\$900,000	\$900,000	\$1,224,000
MISO	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000
ATC	\$1,200,000	\$1,286,400	\$1,315,987	\$1,347,571	\$1,377,217	\$1,377,217
TOTALS	\$9,864,000	\$10,032,000	\$9,856,387	\$10,298,851	\$11,092,177	\$12,087,217
P/Y	14/15	15/16	16/17	17/18	18/19	19/20

Yellow cells designate indicative prices have been received
Green cells are estimates.

12-Nov-14

9



- 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.

11

- 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.

12

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

13

City (Utility)	Projected example customer classification and usage - Effective JAN 2014		
	Residential 500 kWh/mo	Commercial 4000 kWh/mo	Large Power 200,000 kWh & 463 kW
Menominee			
WPS	\$53.41	\$394.76	\$15,981.55
Escanaba		Single phase \$347.98	
City of Escanaba	\$53.53	Three phase \$355.95	\$15,374.02
Marquette			
Marquette BLP	\$56.15	\$471.20	\$19,282.75
Manistique		Single phase \$421.20	
Cloverland REA	\$66.60	Three phase \$436.20	\$18,733.89
Gladstone		Single phase \$494.80	
WPPi	\$68.05	Three phase \$495.80	\$19,191.00
Iron Mountain	Single phase \$78.60	Single phase \$591.84	
WE Energies	Three phase \$83.50	Three phase \$606.62	\$22,420.87
Ishpeming			
UPPCO	\$102.75	\$755.20	\$24,440.50

14

NB# 6
CC/GAC 11/12/14

MEMORANDUM

To: Jim O'Toole

From: Mike Furmanski

Date: 06NOV14

Re: Tree Trimming Bid Recommendation

On October 28, 2014, the Electric Department received bids for tree trimming near our power lines in various locations on our system. Bids were sent to 4 tree trimming contractors and 2 bids were received. Both bidders are qualified to do this type of work. The hourly rates bid by the 2 contractors were as follows:

Bidder	2 person crew	3 person crew	4 person crew
Bugle Contracting	\$84.75	\$109.50	\$134.25
All American Tree Service	\$85.00	\$100.00	\$115.00

Being that a 2 person crew is needed for our trimming work, I am recommending accepting the bid from Bugle Contracting of Cornell, MI for a not to exceed amount of \$20,000. There is \$20,000 in the current budget for a tree trimming contractor.

Bugle Contracting

11880 County 426 E Road

Cornell, Michigan 49818

(906)280-0001

City of Escanaba Electric Department

1711 Sheridan Road

Escanaba MI 49829

Dear Sir,

Thank you for giving us the opportunity to provide you with a quote for line clearing and tree trimming. We are able to do the work, if requested, in the next couple weeks.

If you have any questions or need more information, please email or call at the number below.

Sincerely,



Ron Sanville

Bugle Contracting

(906)280-0001

10/6/2014

Official Bidder's Proposal

Date: 10/28/2014

City of Escanaba
Escanaba, MI 49829

We, the undersigned, agree to furnish all labor, materials, and construction equipment necessary for completion of contracted Work in accordance with the attached minimum specifications, which are part of this proposal, at the following price(s):

Hourly Rates for Trimming

Two (2) man crew with 55' working height bucket truck, chipper, pickup truck, and all necessary equipment on the job, including, but not limited to: signage, ropes, climbing equipment, saws, fuels, lube, etc.

\$ 84.75 / hour

Three (3) man crew with 55' working height bucket truck, chipper, pickup truck, and all necessary equipment on the job, including, but not limited to: signage, ropes, climbing equipment, saws, fuels, lube, etc.

\$ 109.50 / hour

Four (4) man crew with 55' working height bucket truck, chipper, pickup truck, and all necessary equipment on the job, including, but not limited to: signage, ropes, climbing equipment, saws, fuels, lube, etc.

\$ 134.25 / hour

Soonest Available Start Date:

11/3/2014

CERTIFIED CHECK, CASHIER'S CHECK, OR BIDDER'S BOND ENCLOSED IN THE AMOUNT OF:

\$ 1000.00
(Must be Included to qualify)

10/6/2014

SUBMITTED BY:

FIRM: Bugle Contracting

ADDRESS: 11880 County 426 E Road
Cornell, MI 49818

NAME (PRINT): Ron Sanville

SIGNED: Supervisor

TITLE: Ron Sanville

10/6/2014

Official Bidder's Proposal

Date: 10/18/14

City of Escanaba
Escanaba, MI 49829

We, the undersigned, agree to furnish all labor, materials, and construction equipment necessary for completion of contracted Work in accordance with the attached minimum specifications, which are part of this proposal, at the following price(s):

Hourly Rates for Trimming

Two (2) man crew with 55' working height bucket truck, chipper, pickup truck, and all necessary equipment on the job, including, but not limited to: signage, ropes, climbing equipment, saws, fuels, lube, etc.

\$ 85.00 / hour

Three (3) man crew with 55' working height bucket truck, chipper, pickup truck, and all necessary equipment on the job, including, but not limited to: signage, ropes, climbing equipment, saws, fuels, lube, etc.

\$ 100.00 / hour

Four (4) man crew with 55' working height bucket truck, chipper, pickup truck, and all necessary equipment on the job, including, but not limited to: signage, ropes, climbing equipment, saws, fuels, lube, etc.

\$ 115.00 / hour

Soonest Available Start Date: ASAP.

CERTIFIED CHECK, CASHIER'S CHECK, OR BIDDER'S BOND ENCLOSED IN THE AMOUNT OF:

\$ 1000.00
(Must be included to qualify)

All American
Tree Service
Joe Holm
10/22/14

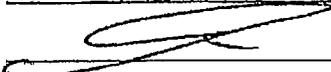
10/6/2014

SUBMITTED BY:

FIRM: All American Tree Service

ADDRESS: 251 Mottes Lane
Gwinn MI 49841
(906) 235-0676

NAME (PRINT): Joe Holm

SIGNED: 

TITLE: Owner

NB# 7

C.C./E.A.C

11/12/14

MEMORANDUM

To: Jim O'Toole

From: Mike Furmanski

Date: 07NOV14

Re: Attachment Y filing

In December, 2011, the City filed an Attachment Y asking MISO for a 36 month suspension of the steam plant, which would cover the timeframe of June 15, 2012 through June 14, 2015. The request was denied on the basis of reliability. We subsequently negotiated a System Support Resource (SSR) with MISO. Our SSR pays the City \$3.7M annually to cover fixed costs at the plant.

MISO allows themselves 26 weeks to study the impact of a plant going into suspension or retirement. Our originally requested timeframe is going to expire in 7 months. Therefore, we need to file a new Attachment Y with MISO by December 14, 2014. With the results of the vote from May of 2014, we now have the opportunity to ask MISO for a retirement if we choose. At the Electric Advisory Committee/City Council meeting on November 12, 2014, we need to make a decision as to which type of Attachment Y we should file.



MISO's robust System Support Resource determination process considers stakeholder solutions while assuring regional reliability.

A System Support Resource – or SSR – is a power plant that must be available for MISO to operate the transmission system within applicable reliability standards. As the regional reliability coordinator, MISO is obligated to maintain reliability of the electric grid. MISO's transmission planning and outage management functions are generally designed to ensure the system can accommodate temporary generation outages. However, the long-term or permanent loss of a generator can affect MISO's ability to operate reliably. Therefore, a power plant owner seeking to retire or suspend a generator must first obtain approval from MISO to remove a plant from operation. Attachment Y of MISO's FERC-approved tariff is the mechanism used for these requests.

SSR Designation

Upon receipt of an Attachment Y application, MISO performs a reliability-based evaluation to determine the impact of the power plant's removal from service. At study completion, the power plant owner decides whether to receive the results or retract the request. If the owner receives the results and MISO finds a plant is needed for reliable operations, it designates the generator as an SSR. MISO provides notice of this designation on its Open Access Same-Time Information System (OASIS). The Attachment Y and study results remain confidential however, if the owner retracts the request, or if MISO does not make an SSR designation.

Exploration of Solutions

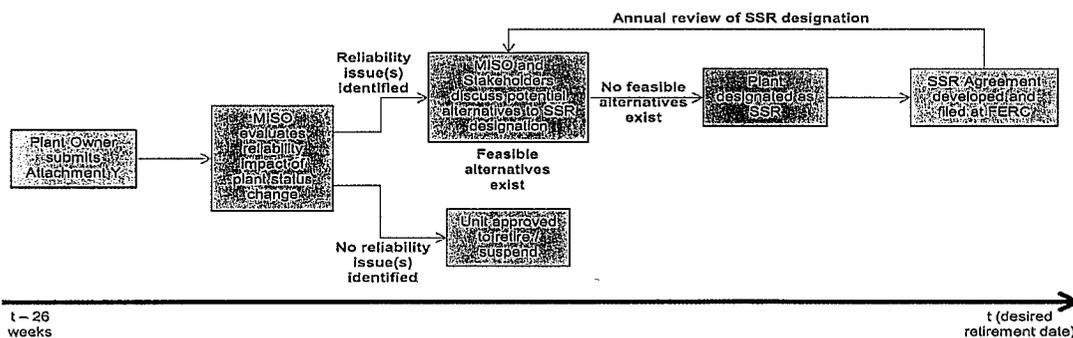
Once an SSR designation occurs, MISO reviews the evaluation with stakeholders and solicits alternative solutions – transmission upgrades, new generation, or demand response – that would allow reliability to be maintained without the generator. If an alternative exists, MISO removes the SSR designation and approves the plant's retirement/suspension. If no alternatives exist, MISO and the plant owner negotiate an SSR Agreement.

SSR Agreement and Compensation

SSR Agreements define the terms of the arrangement, including compensation. SSRs receive compensation for their going forward costs resulting from remaining online and available. The parties determine the revenue requirement based on actual historical plant costs. Monies paid to the SSR are net of any energy market revenues earned. MISO collects SSR costs from the Load Serving Entities found during the evaluation to benefit from the plant's operation. Agreements have initial terms of 12 months and require annual reassessment of continued need. MISO files agreements with FERC. If MISO and the plant owner do not reach agreement, unexecuted materials are filed with FERC.

Did you know?

- MISO evaluates plant retirement / suspension requests for reliability need; System Support Resource (SSR) designations made where reliability is threatened.
- MISO solicits Stakeholders for alternative solutions; an SSR Agreement results if none exist.
- Load Serving Entities benefiting from SSR pay costs to operate.
- Confidentiality of request and study result required if no SSR designation is made.



Zimbra**jotoole@escanaba.org**

EGE Update

NB #8
CC/EAC 11/12/14
Thu, Nov 06, 2014 04:16 PM

From : John Ranson <[REDACTED]@[REDACTED]>**Subject :** EGE Update**To :** jotoole@escanaba.org**Cc :** cdetiege@escanabapower.com

Hi Jim:

Escanaba Green Energy has received draft documents for its loan from the lender and will forward the relevant security draft info to Delta Title as soon as it has reviewed these sections. The lender has confirmed that it is working on the closing schedule and has asked that EGE prepare the funds distribution list (wire transfer info) for the first draw and distribute it to the lender and Delta Title. EGE is speaking with the lender's reps almost daily now.

Regards.

John Ranson
