

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

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

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

Absent: None.

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

Absent: One Vacancy, and Larry Arkens

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

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

**UNFINISHED BUSINESS - None**

**CONFLICT OF INTEREST - None**

**PUBLIC HEARING - None**

**NEW BUSINESS**

**Update - Power Plant Operations.**

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

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

**Update - Electric Department.**

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

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

**Update – Electric Department – Substation.**

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

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

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

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

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

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

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

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

**Update – Environmental Work Plan.**

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

**Update- MISO Matters.**

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

**Update – Coal Bid.**

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

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

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

**GENERAL PUBLIC COMMENT - None**

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

**ADJOURNMENT**

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

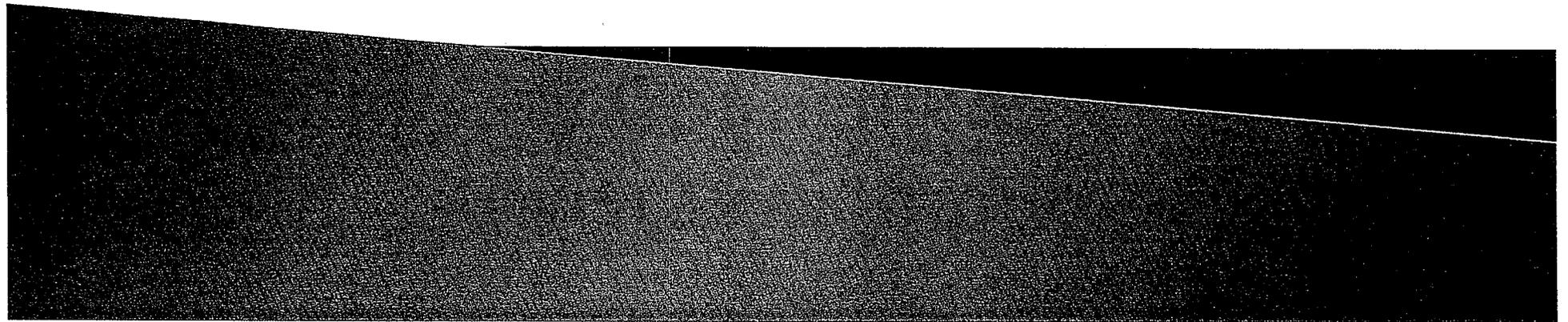
Joint City Council & Electrical Advisory Minutes  
March 15, 2011 – cont.  
Committee and Council, the meeting adjourned at 7:36 p.m.

Respectfully submitted,

Robert S. Richards, CMC  
City Clerk

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

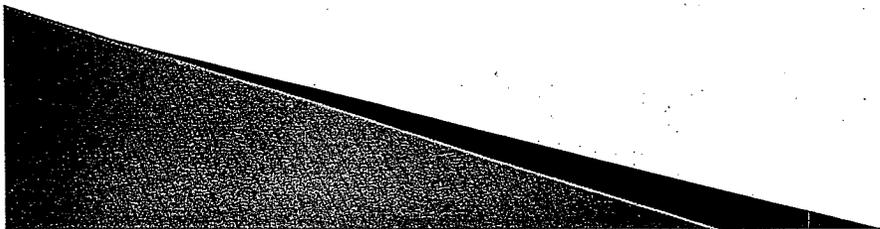
**Joint City Council and Electrical  
Advisory Committee Study  
Session  
3/15/11**



# Agenda Item 4

## Update on O&M Agreement

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



# Agenda Item 5

## Sale of Generation Proposals

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



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

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

Update on the investigation activities at the Escanaba Power plant.

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

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

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



NOT TO SCALE



MOUNTAIN ENGINEERING, Inc.  
AND SURVEYING

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

DATE:  
3/01/2011

PROBE LOCATIONS

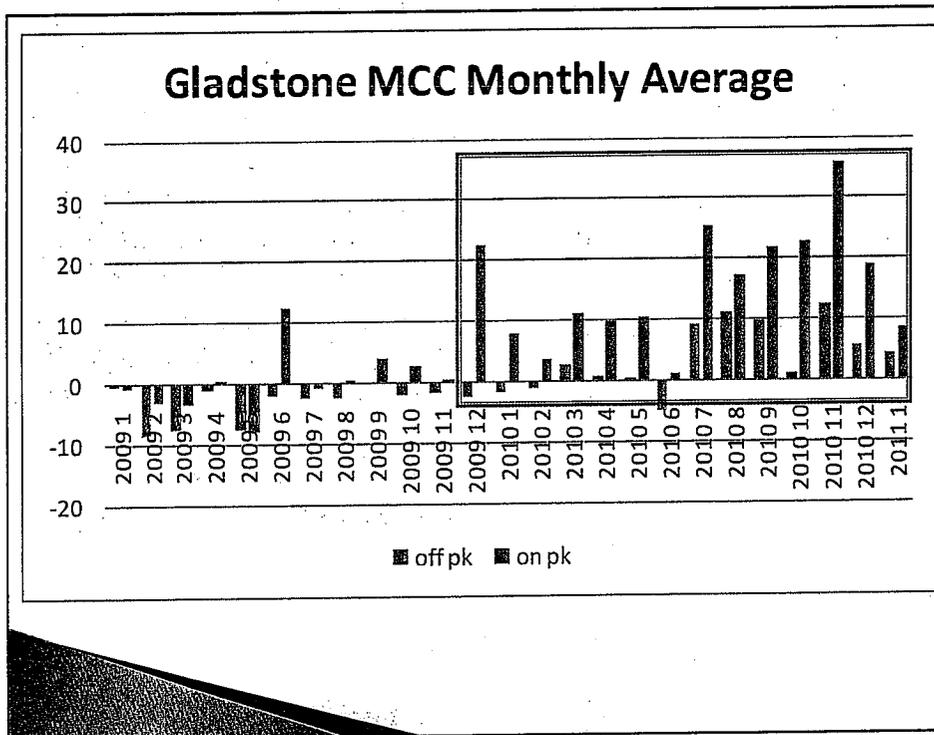
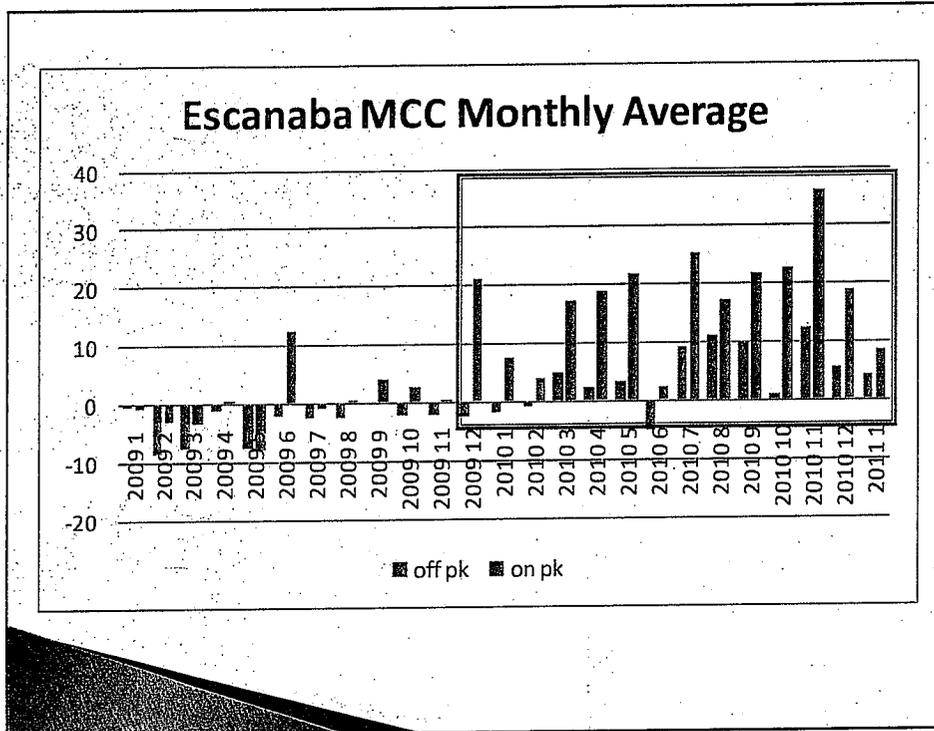
PAGE 4 OF 4

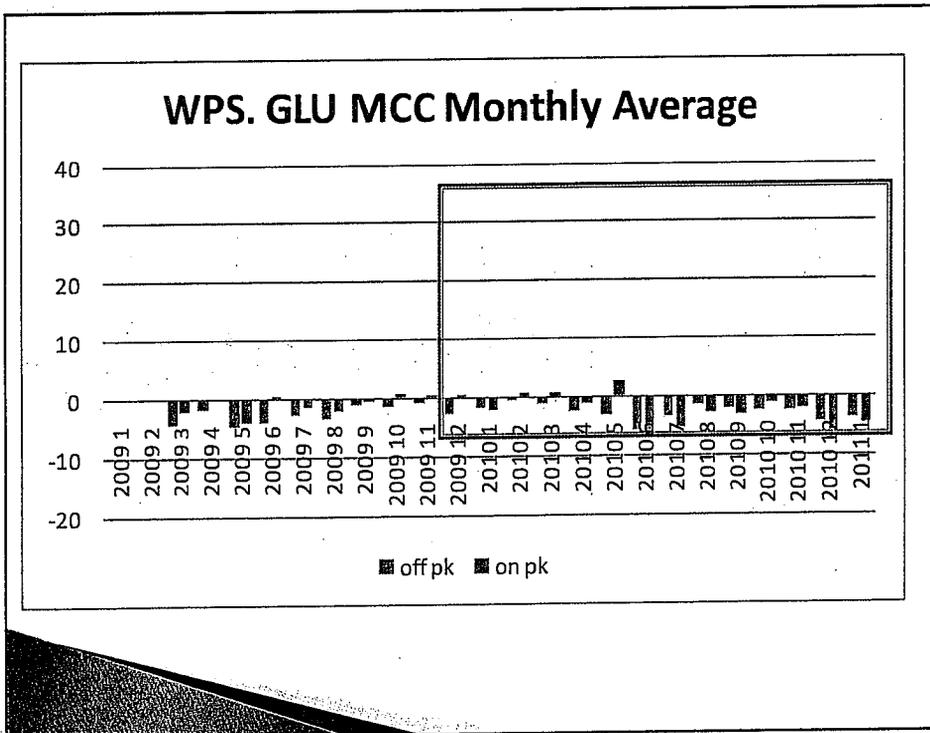
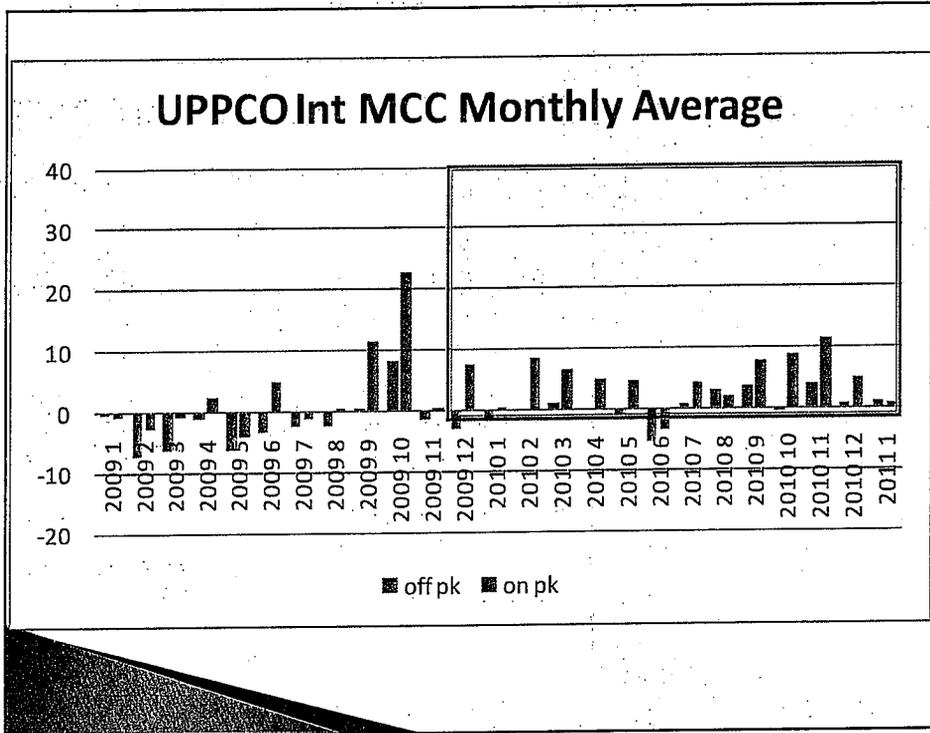
## Agenda Item 7 MISO Matters

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

### 1. Congestion Impacts on Escanaba Costs

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





## Congestion Conclusions

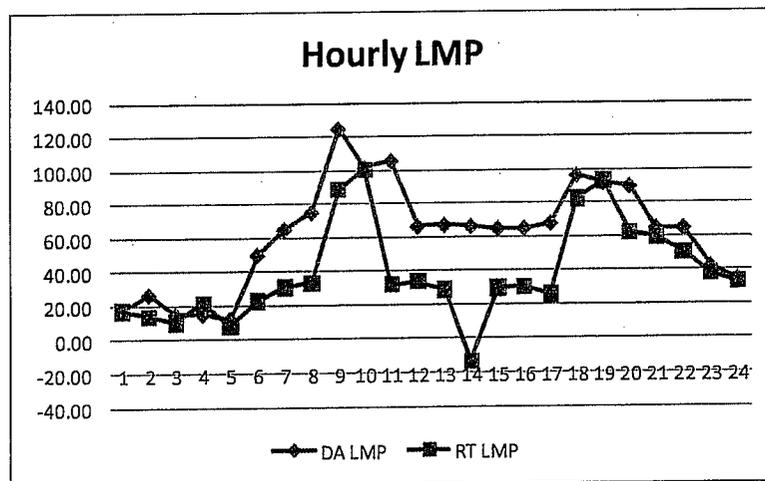
- ▶ Escanaba Congestion is High
- ▶ Transmission Improvements will Reduce Congestion
- ▶ Future Purchase Power Arrangements will Involve Congestion Cost Differences from Source to Escanaba Node

## Load Forecast Error

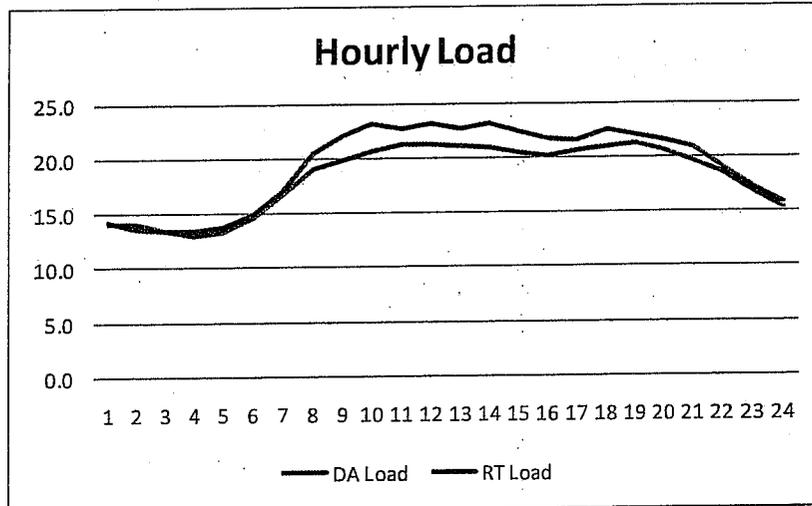
## LD Fcst – Look at 24 Hour Period

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

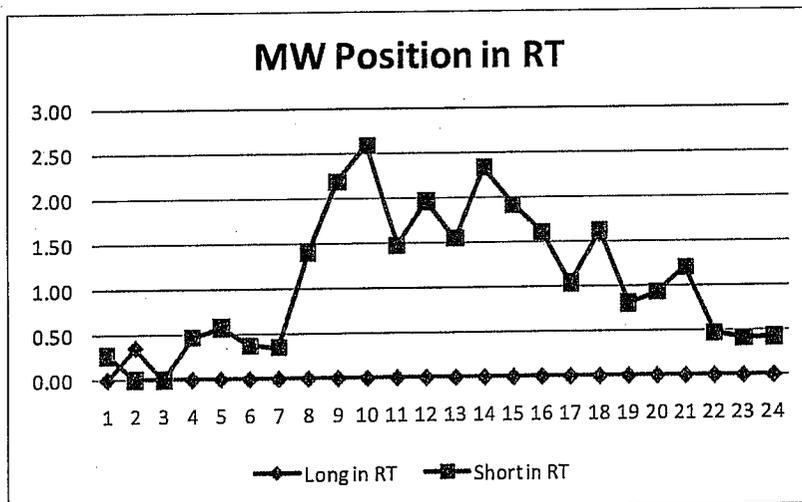
## Prices – December 1, 2010



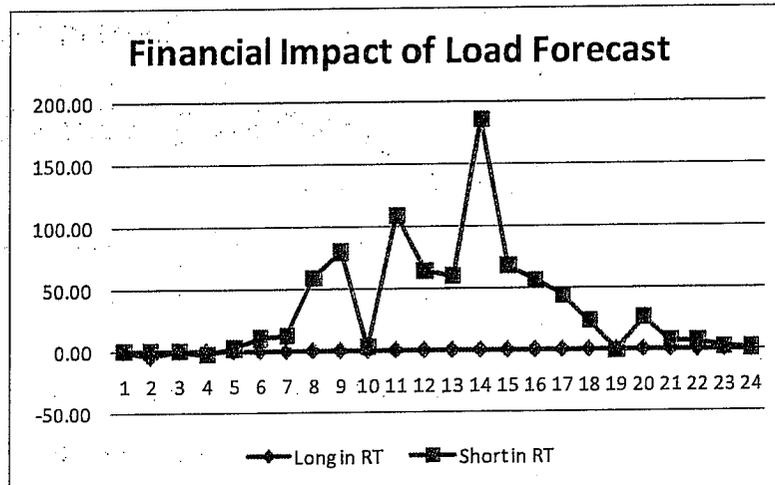
## Load - December 1, 2010



## Load Forecast Error - Hourly



## Load Forecast Error – Hourly \$



## December 2010 Totals

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

## 2. December 2010 FERC Order

### ▶ Memo summarizing Issue Provided

#### ▶ Summary:

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

# Agenda Item 9

## Purchase Power Agreement(s)

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

