

**OFFICIAL PROCEEDINGS**  
**CITY COUNCIL**  
**ELECTRICAL ADVISORY COMMITTEE**  
**CITY OF ESCANABA, MICHIGAN**  
**Special Joint Meeting**  
**Wednesday, May 11, 2011**

Pursuit to a special meeting posted May 5, 2011, the meeting was called to order by the Mayor Gilbert X. Cheves at 6:03 p.m. in the Council Chambers of City Hall located at 410 Ludington Street.

Present: Mayor Gilbert X. Cheves, Mayor Pro Tem Leo J. Evans (arrived at 6:06), Council Members Patricia A. Baribeau, Pete Baker, and Brady L. Nelson.

Absent: None.

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

Absent: One Vacancy, Ann Bissell, Tim Wilson

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

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

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

**UNFINISHED BUSINESS** - None

**CONFLICT OF INTEREST** – None

**PUBLIC HEARING** – None

**NEW BUSINESS**

**Update - Power Plant Operations.**

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

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

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

**Update - Electric Department – Distribution Operations.**

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

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

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

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

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

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

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

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

Ayes: Baker, Nelson, Evans, Baribeau, Cheves

**MOTION CARRIED.**

**Discussion - MISO Market Agent Provider.**

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

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

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

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

**Update – Environmental Work Plan.**

Manager O'Toole updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the Environmental Work Plan being completed by Mountain Engineering, Inc. of Iron Mountain, Michigan. Manager O'Toole stated Mr. Berry and the City met with the Michigan Department of Environmental Quality (MDEQ). Based on discussions with the MDEQ, Mr. Berry suggested the City put in monitoring wells. Mr. Berry's proposal was for \$10,900. Mr. Berry reviewed the following:

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

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

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

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

Ayes: Evans, Baker, Nelson, Baribeau, Cheves

Nays: None

**MOTION CARRIED.**

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

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

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

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

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

**GENERAL PUBLIC COMMENT - None**

**COUNCIL/COMMITTEE, STAFF REPORTS**

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

**ADJOURNMENT**

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

Respectfully submitted,

Robert S. Richards, CMC  
City Clerk

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

## Agenda Item 3 Plant O&M Transition

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

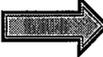
## Seeking Decision

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

## Great Lakes Utilities Costs

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

## Recommended Approach

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

## Available Options

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

## Why Great Lakes Utilities?

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

## Agenda Item 4 MISO Market Agent Provider

### ▶ Background

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

## City Needs

### ▶ Immediate

- Real Time Set Point Signal
  - Provides Constant Real Time MW Set Point for Generation Units when operating in Reliability Mode

### ▶ Longer Term

- MISO Market Agent
  - Daily 24 hour load forecast
  - GADS DATA
  - MDMA Services
  - MISO Load and Generation Data submittal
  - Outage Submittal and Coordination

## Agenda Item 5 Sale of Generation Facilities

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

## Coal Inventory and Futures as of April 29, 2011

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

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

## Agenda Item 8

### Purchase Power Agreement

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