

OFFICIAL PROCEEDINGS
CITY COUNCIL
ELECTRICAL ADVISORY COMMITTEE
CITY OF ESCANABA, MICHIGAN
Special Joint Meeting
Wednesday, August 10, 2011

Pursuit to a special meeting posted August 5, 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, Council Members Leo J. Evans, Patricia A. Baribeau, Pete Baker, and Brady L. Nelson.

Absent: None.

Present: Electrical Advisory Committee Members: Chairman Ronald Beauchamp, Larry Arkens, Ann Bissell, Don Racicot, Tim Wilson, and Glendon Brown.

Absent: One Vacancy, and Committee Member John Anthony.

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, PSE Consultant Tom Butz, City Power Plant Representative Pat Fulcher, Guests, members of the public, and Media.

Minutes from July 13, 2011, were approved by Council at the July 21, 2011, regular Council Meeting. Members having any further questions were asked to contact City Clerk Richards.

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

UNFINISHED BUSINESS - None

CONFLICT OF INTEREST - None

PUBLIC HEARING - None

NEW BUSINESS

Update - Electric Department – Distribution Operations.

Electric Superintendent Michael Furmanski discussed current departmental activities and operations, which also included the following items:

- Lofts of Ludington;
- Larger customer in community was adding more capacity;
- City Electric rates compared to other municipality rates were given to Board Members;
- Report from City Controller Dewar regarding Power Cost Projections, and Electric Fund P&L Analysis.

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

Power Plant Manager Jerry Pirkola, updated the City Council, Electrical Advisory Committee, and Citizens of Escanaba on the status of the operation and maintenance of the power plant.

- Status of Boiler leaks;
- July Dispatching Report for Units 1 & 2, and CT Unit;
- 11,600 tons of coal left on the docks.

Presentations– Power Plant Purchase Parties.

Pro Energy representative Tom Smeltzer, and Recast Energy representatives Matthew Markee and Brandon Olgilvie (See Attached Recast Presentation) each provided a brief overview of their Company and information on their desire to purchase the Escanaba Power Plant facilities. Presentations were followed by questions by Board Members. PSE Consultant Tom Butz presented information for Fuel Streamers who couldn't be in attendance due to unforeseen circumstances.

GENERAL PUBLIC COMMENT - None

COUNCIL/COMMITTEE, STAFF REPORTS

Manager O'Toole advised the services of Attorney Consultants, Troutman Sanders was nearing completion. A final bill would be submitted when received.

ADJOURNMENT

Hearing no further public comment, or further reports from the Electrical Advisory Committee or Council, the meeting adjourned at 7:01 p.m.

Respectfully submitted,

Robert S. Richards, CMC
City Clerk

Approved:

Gilbert X. Cheves, Mayor



Coal to Wood Conversion

City of Escanaba, MI

August 10, 2011

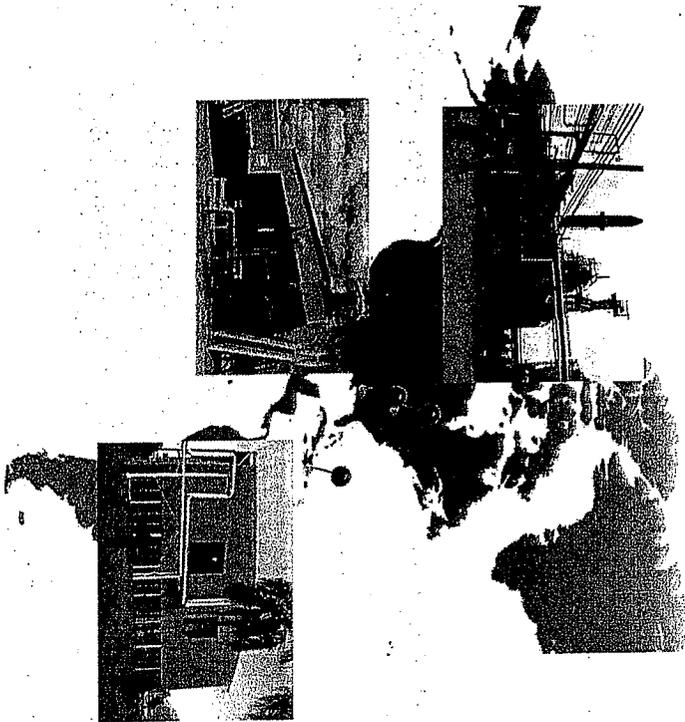


Recast Energy Overview

- Recast Energy is a biomass-to-steam/power business that was part of the former Intrinergy, LLC
 - Founded in 2004
 - Recast Energy LLC formed in October 2010 with additional equity funding and three (3) existing steam operations
 - 45 employees (staff and operations)
- Primary focus is on premier biomass energy operations with development focus on opportunities in U.S. and Caribbean / Central America



Recast Energy currently owns and operates two energy facilities and operates a third



Mississippi

- 52,000 lb/hr steam capacity
- 15-year energy supply agreement
- Fueled by local woody biomass

Dominican Republic

- 80,000 lb/hr biomass capacity with fuel oil backup
- Multi-year O&M agreement
- Fueled by ag residues, energy crops, and woody biomass

Kentucky

- Multiple customers served
- Coal-fired boiler being converted to biomass
- 15-year energy supply agreement with two independent chemical plants
- 240,000 lb/hr steam capacity

Biomass energy is a solution to multiple challenges facing Escanaba's power plant today

Current Challenges

- Remote location = higher delivered cost per Btu of coal than most competitors
- Changing environmental regs = significant additional compliance costs to continue using coal
- Relatively small size = higher fixed costs per MWh than competitors
- Low steam pressure = poor fuel efficiency, therefore more coal Btus consumed per MWh

Biomass Solutions

- Locally sourced wood fuel = lower cost per Btu than coal
- Cleaner fuel = fewer emissions and lower compliance costs
- RECs and Tax Credits = lower net costs per MWh
- New biomass boiler and turbine system = high efficiency

Recast Energy delivers strong results to its customers and communities

Customer Satisfaction

- Facility uptime typically in excess of 98%
- Safe, Efficient, and Reliable operations

Job Creation

- 50 to 100 construction jobs during 18-24 month period
- 14 to 16 permanent in-plant jobs
- 30 to 50 permanent local fuel supply chain jobs

Environmental Stewardship

- Promoting fuel switch projects to renewable biomass since 2004
- DR plant recently favorably audited by *Conservation International*
- MS plant audited annually under the *Voluntary Carbon Standard*
- KY plant is replacing 70 years of onsite coal usage with clean, woody biomass
- Member of the US EPA's CHP Partnership
- Founding member of the Virginia Alternative and Renewable Energy Association

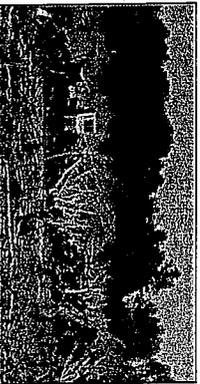
Current timetable

- AUG 2011 Notice of bid acceptance
- OCT 2011 File construction/air permits to modify the facility
- APR 2012 Permits issued, execute power purchase agreement
- MAY 2012 Acquire the facility, lay up one or both coal units
- JUN 2012 Commence construction
- Q3 2013 Installation of new systems complete (except turbines)
- Q4 2013 Commercial startup, use existing turbines
- Q2 2014 Replace existing turbines with high-efficiency units
- Q3 2014 Decommission the oil-fired CT

Note: this timetable is revised from the original proposal due to the one year push-out of the closing date

Recast Energy is successful at turning concepts into reality

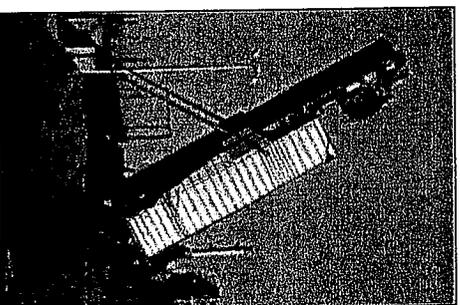
- ✓ Successfully permitted and financed a coal-to-wood conversion
 - Selling energy to two customers, 15-yr agreements with each
 - Construction now underway in Louisville, KY
- ✓ Proven track record with woody biomass
 - Mobilizing and managing supply chains
 - Building, financing, and operating plants
 - Long-term owner's perspective
 - Safe, Efficient, and Reliable operations



Collect logging residues



Process (chip)



Transport

Thank you

Matthew Markee

President & Chief Operating Officer

mmarkee@recastenergy.com

(804) 212 – 3142

Brandon Ogilvie

Executive Vice President & Chief Financial Officer

bogilvie@recastenergy.com

(804) 212 – 3143

