

**OFFICIAL PROCEEDINGS**  
**CITY COUNCIL**  
**ELECTRICAL ADVISORY COMMITTEE**  
**CITY OF ESCANABA, MICHIGAN**  
**Special Joint Meeting**  
**Wednesday, September 14, 2011**

Pursuit to a special meeting posted September 13, 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, John Anthony, Larry Arkens, Ann Bissell, Don Racicot, Tim Wilson, and Glendon Brown.

Absent: One Vacancy.

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, members of the public, and Media.

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 Mike Furmanski discussed current departmental activities and operations. Mr. Furmanski highlighted the following projects:

- South Lincoln Road Lights;
- High School Project.

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

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.

- Monthly Report was handed out to Members (See Attachment – A);
- Reviewed outages;
- Dispatching of CT;
- Boiler update;
- 7,900 tons on dock at the end of August;
- Capacity Utilization of Steam Units (See Attachment – B);
- After discussion on maintenance tube repairs in Unit-2, tubes would be reassessed and an updated report brought back to Board Members.

**Discussion - Power Cost Comparison – Ownership of Plant vs. Selling of Plant and Purchasing Power.**

City Administration and PSE Consultant Tom Butz presented information which compared and summarized historical and projected power costs for self generation of electricity versus purchasing power through a Power Purchase Agreement. (See Attachment – B)

**Discussion - Plant Sale Options.**

Manager O'Toole discussed the alternative options that could be pursued in the event a sale of the power plant could not be finalized. The following was reviewed (See Attachment – B);

- What Current Referendum allowed;
- MISO Approvals;
- Expected Transitions;
- Plant Sale Options.

**Update – Fuel Streamers Group Asset and Sales Status.**

Manager O'Toole and Electric Superintendent Mike Furmanski updated the City Council and Electrical Advisory Committee on the status of negotiations with the Fuel Streamers Group including an update on due diligence, projected timelines and identifying the specific steps that would be needed in order to close on a plant sale. (See Attachment – B)

**Update – Legal Review - Troutman Sanders L.L.C.**

Manager O'Toole updated the City Council and Electrical Advisory Committee on the status of legal costs incurred, to date, with Troutman Sanders, L.L.C. Controller Dewar advised the City was still under budget. Manager O'Toole advised further legal services would be required from the legal firm in order to finalize the sale of the Power Plant.

Joint City Council & Electrical Advisory Minutes

September 14, 2011 – cont.

Manager O'Toole requested authorization for an additional \$75,000 for legal services with Troutman Sanders, L.L.C. to help finalize the sale of the Escanaba Power Plant.

Baker moved, Evans seconded, to authorize additional professional services from Troutman Sanders, L.L.C., in an amount up to \$75,000 for legal services to finalize the sale of the City Power Plant.

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

Ayes: Baker, Evans, Nelson, Baribeau, Cheves

Nays: None

**MOTION CARRIED.**

**GENERAL PUBLIC COMMENT - None**

**COUNCIL/COMMITTEE, STAFF REPORTS**

**ADJOURNMENT**

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

Respectfully submitted,

Robert S. Richards, CMC  
City Clerk

Approved: \_\_\_\_\_

Gilbert X. Cheves, Mayor

**Escanaba Operating Services**

PO Box 249

Wells, MI 49894

PHONE: 906-217-3100

FAX- 906-217-3103

**Labor Statistics**

- One employee remains on restricted duty status and one employee is off on maternity leave.
- 8/1/11 Boiler Turbine Engineer promoted to Relief Shift Engineer.
- 8/15/11 Oiler promoted to Boiler Turbine Engineer.
- Internal posting for an open Oiler position is in place. Candidates are being reviewed for the position.
- One contract ProEnergy Operations Employee remains on site for operational coverage and procedure development.
- One contract ProEnergy Instrument & Electrician Employee was brought in to assist with development of routine PM's and with routine work assignments.

**Labor Statistics** (Note: These statistics are for the 2011 calendar year from June 6 through Aug 31.)

| Item                                     | Month   | Year to Date |
|--|---------|--------------|
| Total Man-hours Worked                   | 3302.25 | 10842.75     |
| Total Number of Standard Time (ST) Hours | 2860.5  | 9505.5       |
| Total Number of Overtime (OT) Hours      | 201.75  | 534.75       |
| Total Number of Double Time (DT) Hours   | 240     | 802.5        |

**Budget Variance**

(Note: budget data was not available at the time this report was prepared.)

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## Occupational Health Overview

- There were no OSHA recordable injuries or illnesses at the site during the month of July. Since June 6, the total safe man hours worked is 10842.75. The Injury & Illness rate for the year remains at zero.
- All EH&S Training has been completed.
- All employees' physicals have completed allowing for completion of respirator fit testing.
- The Plant Safety Committee was formed and met in August. A list of action items was developed and will be followed up with during the next monthly meeting.
- All power tools were inventoried and those with bad cords were removed from service for repair.

### OSHA Summary of Work Related Injuries and Illnesses

There were no OSHA related incidents during the month of August.

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

- 1) The front end loader was damaged when a large section of coal broke free from the side of the coal pilewhile loading coal. The coal broke the windshield and bent in part of the cab, all of which needed to be repaired. The total cost incurred to repair the front end loader was \$4,144.84. The employee suffered a small cut to a finger.

**Corrective Action:** A contractor was brought in to knock the pile down to a safe elevation to avoid cave-ins. Employees were counseled to prevent further unsafe conditions and report them to management immediately. Coal Pile management is in place currently, and the coal pile is being policed by management to prevent further occurrences.

- 2) An employee received a minor burn to the forearm while operating a valve for the Unit 2 Steam Driven Turbine Oil Pump.

**Corrective Action:** Insulation was placed on the piping to prevent burns from reoccurring. The employee was also counseled about hazard awareness.

- 3) An employee received a minor burn to the forearm while operating a valve for the Unit 1 Steam Driven Turbine Oil Pump.

**Corrective Action:** Insulation has been ordered. The employee was also counseled about hazard awareness.

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Water Monitoring Deviations

| Start Date | End Date | Parameter | Cause   |
|------------|----------|-----------|---|
| 8/1        | 8/26     | Flow      | Normal operations but over the Groundwater Permit limits. |
| 8/12       | 8/12     | Flow      | Draining the boiler for tube leak repairs.                |
| 8/31       | 8/31     | Flow      | Draining the boiler for wet lay-up procedure.             |
| 8/31       | 8/31     | pH        | The pH neutralization system was not calibrated properly. |

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## Emissions Compliance Overview

### Air

- There were no opacity deviations for the month of August.

### Air Monitoring Deviations

| Start Date | Start Time | End Date | End Time | Parameter | Cause |
|------------|------------|----------|----------|-----------|-------|
|            |            |          |          |           |       |

### Water – NPDES

- There were no deviations for the month of August.

### Water – Groundwater

- 1) The facility had 27 deviations for flow over 10,000 gallons which is the daily limit for the settling basins. These deviations are attributed to running the boiler sample coolers continuously in order to control boiler blow down as well as routing the air ejector water to drain. The major contributing factor occurs when a boiler needs to be dumped due to continual tube repairs or to change out boiler water for wet layup.

**Corrective Action:** The Continuous BlowDown (CBD) valves on units 1 and 2 were replaced on 8/25/11 and 8/16/11 allowing for controlled flow of blow down from the sample coolers. The CBD valves are working well allowing for precise flow control. Water from the air ejectors on both units will continue to be sent to the drain rather than back into the condenser because the amount of ammonia present exceeds the recommended limits. This extra flow is minimal and should not have a major effect on water flow to the settling basins.

- 2) During the month of August, an application for a new groundwater discharge permit has been prepared and is being reviewed. Once the Plant review is complete, the permit application will be sent to the City for their review and submittal. The new application is requesting a higher daily flow limit to the settling basins to reflect normal power plant operation.
- 3) The Pollution Incident and Prevention Plan (PIPP) was completed and the City will have an environmental consultant review the plan prior to submittal. The PIPP is required due to the acid storage tank installed for pH control to the settling basins.
- 4) On 8/31/11, the settling pond basin had a pH deviation of 9.1. It was discovered that the pH neutralization system was not functioning properly.  
**Corrective Action:** H2O in Motion was contacted to troubleshoot and adjust the controls.

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- 3) #4 Coal Scale diverter gate shaft was found to have failed during the start-up of Unit 2 on 7/1.  
**Corrective Action:** During the 9/12/11 outage, the shaft and other worn parts will be replaced.  
**Follow-Up:** Due to the 9/12/11 outage cancellation this is being revisited. CR Meyer has submitted a bid for \$5800 to make the repairs. Competitive bids are currently being pursued.

**General Plant**

- 1) Extensive troubleshooting assessment to resolve the steam leakage into the ash system.  
**Corrective Action:** Identified leaking valve seats on two isolation valves to the system. New valves have been ordered for their replacement. Target date will be based on abatement crew availability, and is anticipated during the month of September.
- 2) Unit #1 and #2 Dissolved Oxygen readings are high in the Condensate Systems.  
**Corrective Action:** Chemicals are currently being injected for control. Gauge calibration will be a high priority for Gland Seal tracking during load changes, while tracking "D.O.".
- 3) RO cleaning – Previously the RO was normally run without maintenance prevention allowing for replacement filters when required.  
**Corrective Action:** Nalco has made efforts for support from the RO cleaning division. Nalco is taking action for further field personnel to evaluate our clean in place procedures and will make recommendations moving forward.
- 4) The Ash Silo leaks around the top parameter portion of the sealing surface.  
**Corrective Action:** CR Meyer has been scheduled for 9/6/11 to seal the leaks.

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## Plant Outstanding Issues:

## Unit 1

- 1) The Boiler Drum Hydrastep bottom electrode began leaking again on 7/9/11.  
**Corrective Action:**Special tooling received from vendor.  
**Follow-Up:**Due to sever steam cutting and wear on the face of the sealing surface beneath the electrode, the tooling effort was not a successful repair. The vendor quoted a replacement Hydrastep at \$4200. Other options will be explored and pricing will be evaluated.
  
- 2) The generatorcollector rings have been showingexcessivewear over the past two years and have been monitored. Troubleshooting has been accomplished such as, resetting the spring tension on the carbon brushes. The collector rings were replaced during a 2007 outage.  
**Corrective Action:**In conversation with Regenco and Helwig Carbon representatives, both agree that the current brush rigging is the probable issue. These are of original design and do not keep a constant pressure on the brushes. There is concern about the groove depth and the possibility of brushes getting dislodged. A set of run-out readings was taken and forwarded to both parties to evaluate.  
**Follow-Up:** Discussion continues with Regenco and Helwig Carbon as to possible causes for excessive wear. A bid for trueing the collector rings was received from Cutsforth for \$12200 and another from Regenco for \$15000 plus the cost of removing the exciter brush rigging and replacing it. Other contractors will be contacted to submit a bid for truing the rings and bidsare being solicited for a newer design of brush rigging to eliminate the slip ring issues.
  
- 3) The Circulating Water Pump discharge valves are hydraulically controlled and located in the pump house structure. This system is of original design and is an environmental concern with issues we have experienced. The Hydraulic Cylinder's "actuators" are original equipment and all have been rebuilt recently without resolution.  
**Corrective Action:** Currently evaluating a more Environmental Friendly approach to operating the valves at the pump house. The hydraulic cylinders are disconnected and the valves are operated by hand until a solution is found in order to prevent the risk of an oil spill.

## Unit 2

- 1) The DA automatic high level dump valve has failed, and is blocked in removing the automatic safety device for the vessel. Manual safety high level prevention is available.  
**Corrective Action:**The valve was removed on 8/23/11 by Northern Machining and a spool piece put in its place. Cost analysis is being evaluated for repair versus replacement cost.
  
- 2) Unit 2 has been experiencing low vacuum at low loads. Indications prove the drain line is plugged or the float is stuck closed in the duplex drain mechanism from the condenser of the Air Ejector.  
**Follow-Up:** The Duplex Drain was inspected on 8/9/11. The float mechanism was found to be installed backwards. The opposite side was checked and was found to have oil residual and scale. The Unit was brought on line 8/24/11 and the drain line is still plugged at other locations. Follow-up troubleshooting will continue.

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## Maintenance Activities

During the month of August one (1) callout was experienced.

- 8/13—Mechanic was called out to clean screens at the pump house due to high easterly winds.

### Work Orders:

A CMMS software program has been purchased and data in the plant is being captured to populate into the program to enhance overall availability by increasing PM Scheduling.

| Closed this Month | Awaiting Outage | Awaiting Parts | Back-Log |
|-------------------|-----------------|----------------|----------|
| 45                | 11              | 7              | 39       |

### Major Repairs Made:

#### Unit 1

- 1) Bearings and belts were replaced on the Stoker Air Fan due to vibration and noise issues on 8/11/11.
- 2) New Boiler Drum Level Hydrastep isolation valves were installed on 8/25/11 to enable future isolation.
- 3) A new Continuous Blow-Down Valve was installed during the 8/25/11 outage enhancing ability to control boiler cycles with chemistry control, and reducing overall chemical cost.
- 4) During the outage for the Hydrastep a hydro of the boiler was performed with two superheater two leaks being identified. Jamar Boiler Services were expedited to perform the repairs on 8/27/11.

#### Unit 2

- 1) During July lower rear wall tube repairs were made. During these repairs it was identified that the tubes were in very poor condition and in need of replacement. An outage was scheduled for September to replace all lower rear and sidewall tubes.

**Up Date:** The City informed management on 8/11/11 to postpone the plans to replace the lower rear and sidewall tubes so the September outage was cancelled. Management was advised to inspect tubes after each shutdown and make repairs as needed. The City advised that they would re-evaluate after each event.

**Safety Concerns:** Operators have to consistently open boiler doors to inspect flames and coal bed as well as other portions of the boiler for ash accumulation. If a tube ruptures while a door is open, the boiler could go positive and fire or hot gases will blow out the open door momentarily, possibly severely burning an employee.

- 2) The boiler lower furnace rear and side walls were inspected for leaks on 8/12/11 and a blister on the rear wall (tube #35) was identified. Contractors were expedited to repair the tube before the tube ruptured.
- 3) A new Continuous Blow-Down Valve was installed during the 8/16/11 outage enhancing ability to control boiler cycles with chemistry control, and reducing overall chemical cost.

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## Operations Summary

- Unit 1 started the month on line and was taken off for a two day maintenance outage on 8/25/11. The unit was not dispatched for the remainder of the month.
- Unit 2 experienced two start-ups and one shutdown during the month of August as well as two unit trips on 8/31/11.
- Unit 1 experienced a maintenance outage to repair a leaking Hydrastep electrode. During the outage a Boiler Hydro was performed; and two superheater tube leaks were identified. Jamar Boiler Services were expedited for the repairs.
- A new Neutralization Skid was put in service to prevent effluent to prevent pH excursions to the settling basins.

### Unit Start-Ups and Shut Downs

| Unit | Date    | On-Line Time | Off-Line Time | Reason                                   |
|------|---------|--------------|---------------|--|
| 2    | 8/1/11  | 0034         |               | MISO Request                             |
| 2    | 8/6/11  |              | 0047          | MISO Request                             |
| 2    | 8/24/11 | 2213         |               | MISO Request                             |
| 1    | 8/25/11 |              | 0103          | Maintenance outage for Hydrastep repairs |

### Unit Trips and Unplanned Outages

| Unit | Date    | Breaker Open Time | Breaker Close Time | Duration (Hours) | Cause   |
|------|---------|-------------------|--------------------|------------------|---|
| 2    | 8/31/11 | 1820              | 1827               | .12              | Exciter cooling fan bearing failure causing an exciter high temperature trip. |
| 2    | 8/31/11 | 2025              | 2130               | 1.08             | Operator error  |

### Planned Outages

| Unit | Start Date | Start Time | End Date | End Time | Cause                                     |
|------|------------|------------|----------|----------|---|
| 1    | 8/25/11    | 0100       | 8/27/11  | 1600     | Install isolation valves on the Hydrastep |

### Reduced Load Events

| Start Date | Start Time | End Date | End Time | Actual Load | Cause |
|------------|------------|----------|----------|-------------|-------|
|            | N/A        | N/A      |          |             |       |

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## Executive Summary

Unit 1 was shut down on 8/25/11 to repair a leaking electrode on the hydrastep, and while forced down to accommodate the repair both block valves were replaced to prevent further down time. During this same time a boiler hydro was performed and two leaks were identified and repaired in the superheater section. Unit 2 suffered two trips during the month of August. The Combustion Turbine was not dispatched by MISO during the month of August.

The Environmental Health and Safety Manual training has been completed. Respirator fit testing has been completed for all current employees at the plant. Three Safety incidents occurred during the month of August; one with coal pile management, causing front end loader damage, and two incidents with employees coming in contact with hot pipes receiving minor burns. There were no events causing OSHA reportable incidents. The plant was visited by Human Resources and Insurance personnel on 8/29/11 to enroll all employees in the new Benefit Plan. During the month two employees have accepted position promotions within the plant.

## Key Performance Indicators (Note: This table is for the City's fiscal year July 2011 through June 2012.)

| Measure  | Units   | Month   | Year to Date |
|--|---------|---------|--------------|
| Steam Plant Gross Electrical Generation        | MWH     | 6170.4  | 14614.4      |
| Unit 1 Net Electrical Generation               | MWH     | 3754.19 | 8595.19      |
| Unit 2 Net Electrical Generation               | MWH     | 1823.29 | 4771.29      |
| Coal Consumption                               | Tons    | 3662.8  | 8654.9       |
| Steam Plant Net Heat Rate                      | BTU/KWH | 15761   | 15541        |
| Plant Availability                             | %       | 95.8    | 95.7         |
| Combustion Turbine Gross Electrical Generation | MWH     | 0       | 20           |
| Combustion Turbine Net Electrical Generation   | MWH     | -9.2    | 2.5          |
| Fuel Oil Consumption                           | Gallons | 0       | 3897         |
| Combustion Turbine Availability                | %       | 100.0   | 100.0        |

Escanaba Operating Services

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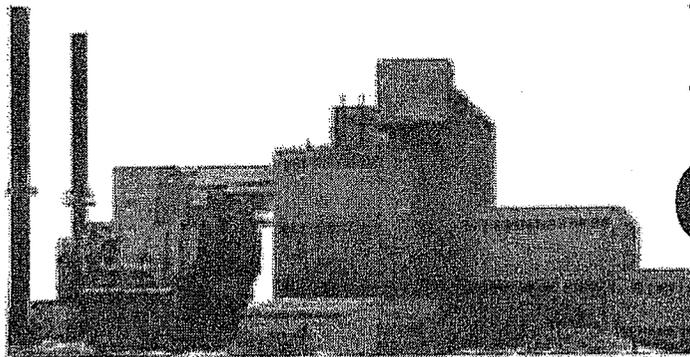
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Escanaba Operating Services

Monthly Report

August 2011

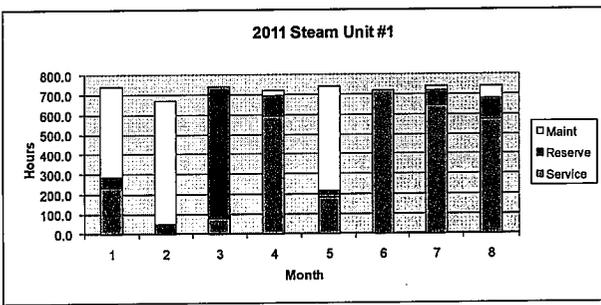
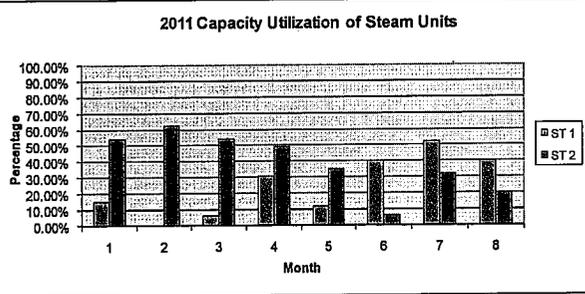


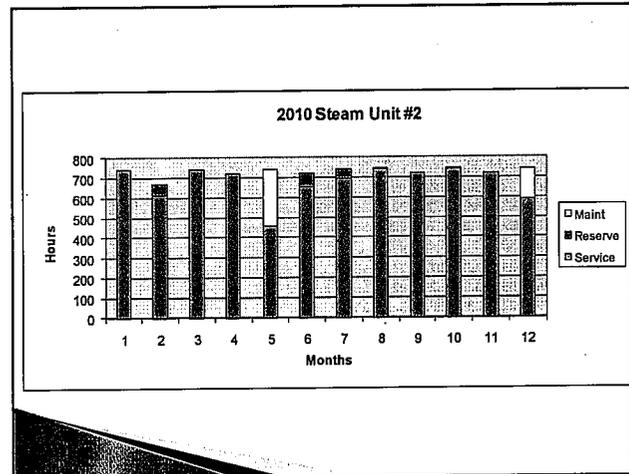
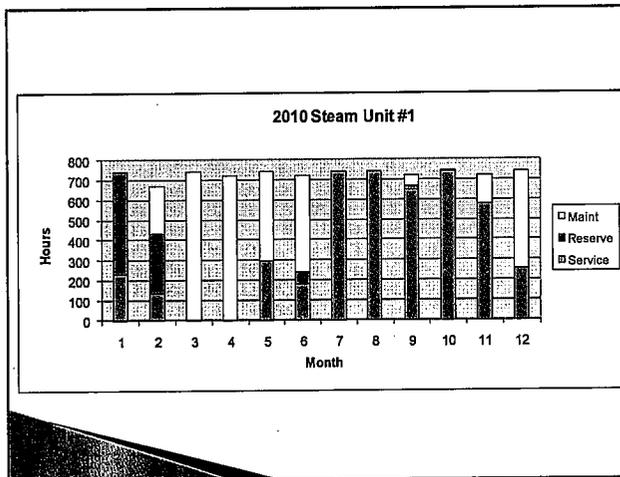
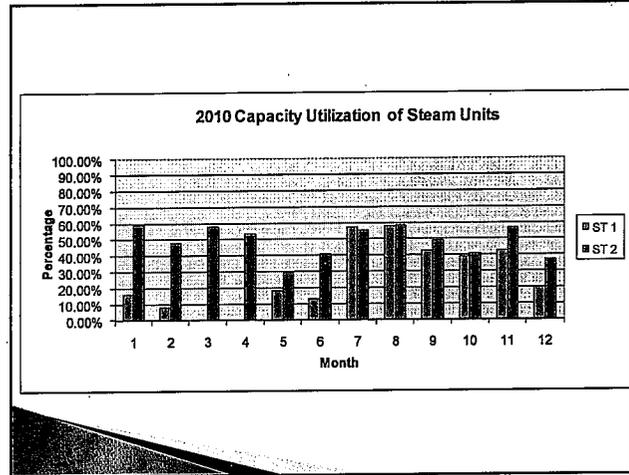
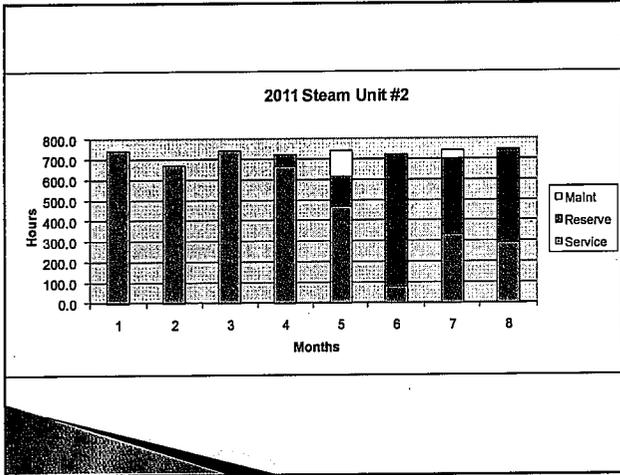
*Escanaba Generating Station*

**Escanaba  
Operating  
Services**

Joint City Council and Electrical  
Advisory Committee  
9/14/2011

Agenda Item 2 - Plant Update





### Agenda Item 3 – Power Cost Comparison

### Plant Cost vs. Purch Power Comparison

- ▶ Four Distinct Periods
  - Gen Serving Load 1958–2007
    - Plant Generation to Serve City Load
    - Limited Purchased Power
  - Partial Market Purchases 2007–Nov 2009
    - Plant Generation for Majority of City Load
    - Purchase Economy Power When Less Than Fuel Costs
  - MISO Membership Started Dec 2009–Mar 2010
    - Plant Generation – Sell at a Loss to MISO
    - MISO Member – Purchase all Load from MISO
  - MISO w/fuel costs covered April 2010–Present
    - Plant Generation – Dispatch Costs Paid by MISO
    - Load continued to be Purchased from MISO

### Best of Both Worlds – Today

- ▶ MISO Currently Paying Plant Coal and Ash Costs
  - Driven by Need for System Reliability
- ▶ Low Purchase Power Costs

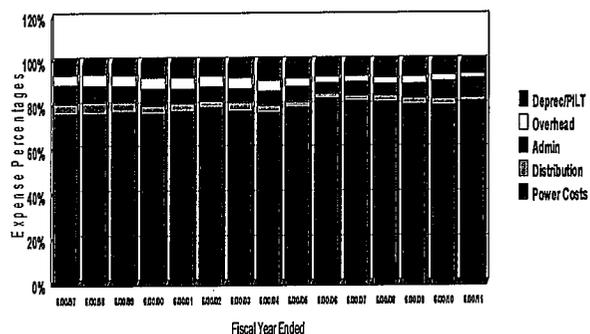
### Sheet 1 Summary

- ▶ Electric Fund First Year of Losses – 2003/04
- ▶ No Losses in Electric Fund Until 2003/04
- ▶ Net Losses in Last 8 years of \$9.2 Million
- ▶ City Planned on Losses to Reduce Impact on Customer Rates
- ▶ Despite Rate Stabilization by Electric Fund, Rates Increased a total of 57% in Last Seven Years

## Operating Expenses Breakdown

- ▶ Major Components
  - Depreciation
  - Overhead
  - Administration
  - Distribution
  - Power Costs
- ▶ Power Costs
  - Plant Costs and Purchased Power
  - Majority of Total Costs 77-84%

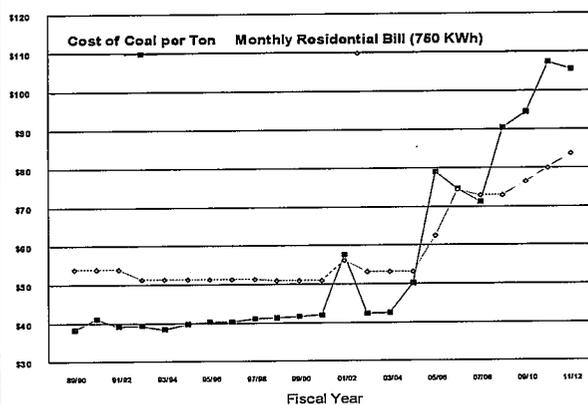
Operating Expenses as a Percentage of All Expenses



## Sheet 2 Coal Prices and Customer Costs

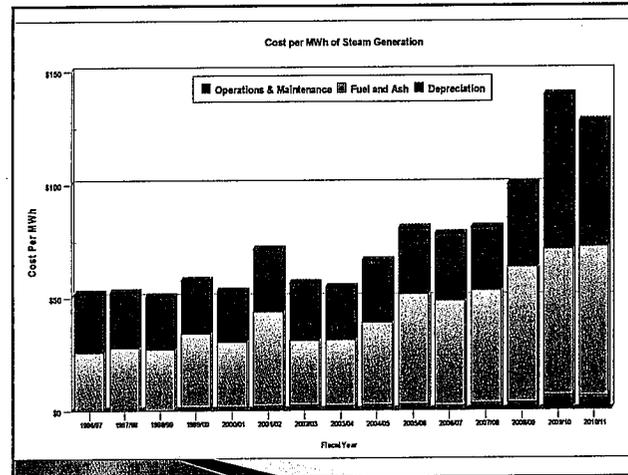
- ▶ Power Cost is 80% of All Electric Expenses
- ▶ Large Component – Coal Costs
  - Increased from Low \$40's/ton to \$90-100/ton
  - 150% Increase Since 2000
- ▶ Typical Residential Consumer Costs
  - Increased from low \$50's/month to Mid 80's/month
  - 64% Increase Since 2000
- ▶ Customer Rate Increases Didn't Follow Power Cost Increases
  - Rate Stabilization to Reduce Impact of Dramatic Coal Cost Increases

Cost per Ton of Coal Compared to Monthly Residential Bill



## Sheet 3 Summary

- ▶ Plant Cost Components
  - Depreciation
    - Small Component - Only Major Maintenance Costs
  - Fuel and Ash -
    - Directly Vary by Plant MWh Output
    - Increased 156% Since 1996/97
    - Escanaba Coal Type - More Subject to Price Increases
  - Operating and Maintenance (O&M)
    - Plant Labor
    - Impact on \$/MWh is Inverse to Plant Output
- ▶ Overall Increase of 146%

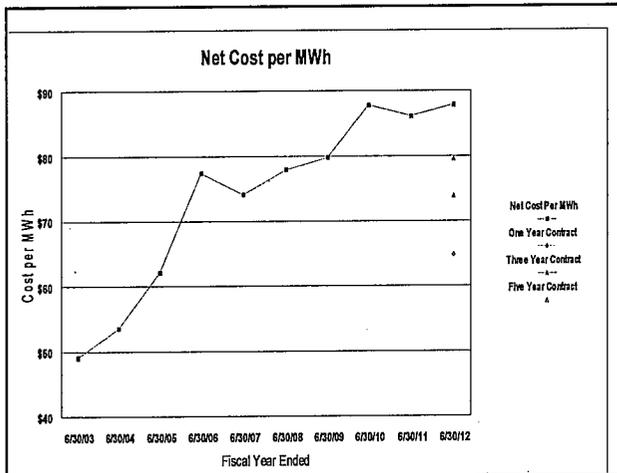


## Current Plant

- ▶ Plant Efficiency - Much Lower Than Larger Generation Units - 600 lb/in<sup>2</sup> Steam Pressure
- ▶ Plant Expected to be Called to Run Less for Make Whole Payments

## Sheet 4 - Current Purchase Power Cases

- ▶ Nine Years of History
- ▶ Net Purchase Power Costs
  - Generation, O&M, MISO, Transmission,
- ▶ Budgeted Costs for 2011/12
- ▶ Compared to Three Purchase Power Quotes
  - One, Three, and Five Year Quotes
- ▶ Next Decision is to Determine Purchase Power Strategy



## Agenda Item 4 Background

- ▶ Current Referendum Allows
  - Plant Sale
  - Plant to be Put in Standby Mode of idling
- ▶ MISO Approvals
  - Needed to Put Plant in Shutdown Mode
  - MISO Will Pay for All Costs if Requested by City and not Granted by MISO
    - 6-8 Month Process of Getting Answer to Question

## Expected Transitions

- ▶ MISO Payment of Operating Costs Will End
  - As early as December 2011, very likely by Mid 2014
- ▶ Increased MISO Market Prices
  - Higher Purchase Power - Load Serving Costs
  - Drivers
    - Economic Recovery
    - EPA Regulations
- ▶ Requires Key Decisions
  - Purchase Power Strategy
  - Completing Plant Sale

## Agenda Item 4 - Plant Sale Options

- ▶ Main Options
  - Sell Plant to Fuel Streamers
  - If Negotiations Break Down
    - Discuss Plant Sale with Other Interested Parties
    - Biomass Fired and Natural Gas Options
  - If No Other Interests - Idle Plant
    - Provide Notice to MISO on Seeking to Shut down the Plant
  - Seek A Referendum to Sell/Scrap The Facility
    - Vendors Are Building Coal Plants in Central America with a 2-3 Year Payback

### Agenda Item 5 – Plant Sale Status

- › Plant Sale Agreement Being Reviewed by Fuel Streamers
  - Fuel Streamers seeking Michigan counsel for legal review
- › Plant Remediation Completion in Light of 60-90 Day Closing
- › Expecting Activity to Ramp Up in Coming Weeks
- › Provided Discussion with Troutman Sanders Attorney on Current Status