

**OFFICIAL PROCEEDINGS**  
**CITY COUNCIL**  
**ELECTRICAL ADVISORY COMMITTEE**  
**CITY OF ESCANABA, MICHIGAN**  
**Special Joint Meeting**  
**Wednesday, November 9, 2011**

Pursuit to a special meeting posted November 4, 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 Patricia A. Baribeau, Leo J. Evans, and Brady L. Nelson.

It was the consensus of Council to excuse Council Member Baker who was out of the community.

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

Absent:

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, guests, 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 –Electrical Distribution Operations**

Electrical Superintendent Mike Furmanski discussed current departmental activities and operations, and reviewed the following items:

- Reviewed Boiler #2 Tube Replacement;
- Collective Bargaining Agreement with IBEW employees;
- Tree Trimming Update;
- Pole Replacement;
- Staffing Levels.

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

Power Plant Manager Jerry Pirkola of 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, and reviewed the following items;

- Unit 1 & 2 operation summary by MISO;
- 3,000 tons of coal burned in October. Coal being delivered from Traxys and Gladstone docks;
- Gave an explanation on the procedure for rolling tubes.

**Approval – Power Plant Environmental Remediation and Due Care Plan – Power Plant.**

Administration led a discussion on the development of a strategy for cost-effective remediation of environmental conditions at the power plant and sought approval to retain Geosyntec Consultants of Ann Arbor, MI, in an amount of \$36,900 to complete all tasks associated with finalizing an Environmental Due Care Plan.

Geosyntec representative Eric Petrovskis, and Golder & Associates Gary Daniels briefly reviewed their proposal which would finalize the City's Due Care Plan for the Environmental closure prior to the sale of the power plant.

**NB-3** Evans moved, Nelson seconded, to approve to retain Geosyntec Consultants of Ann Arbor, MI, in an amount of \$36,900 to complete all tasks associated with finalizing an Environmental Due Care Plan for the City Power Plant.

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

Ayes: Evans, Nelson, Baribeau, Cheves

Nays: None

**MOTION CARRIED.**

**Approval - Relay Panel Purchase – Electrical Distribution System.**

Administration sought Electrical Advisory Committee and City Council approval to purchase two (2) relay panel breakers to operate with the recently purchased 69kV breakers from Systems Control of Iron Mountain, MI, in the amount of \$92,004. This item was included in the current budget.

Electric Superintendent Mike Furmanski briefly reviewed the scope of the project.

Electrical Advisory Committee Member Anthony moved, Electrical Advisory Committee Member Wilson seconded, to recommend City Council purchase two (2) relay

panel breakers to operate with the recently purchased 69kV breakers from Systems Control of Iron Mountain, MI, in the amount of \$92,004.

**NB-4** Evans moved, Baribeau seconded, based on a recommendation of the Electrical Advisory Committee, to approve the purchase two (2) relay panel breakers to operate with the recently purchased 69kV breakers from Systems Control of Iron Mountain, MI, in the amount of \$92,004.

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

Ayes: Evans, Baribeau, Nelson, Cheves

Nays: None

**MOTION CARRIED.**

#### **Discussion – Monthly Power Costs.**

City Controller Mike Dewar made a presentation of a summary of monthly costs including the power costs in the MISO market. See Attachment – A.

#### **Discussion - Purchase Power Update.**

PSE Consultant Tom Butz discussed the updates to the purchase power options, including the information on short-term, and long-term options. It was advised proposed agreements could be reviewed and presented to the Electrical Advisory Committee and City Council for their approval at the December meeting. See Attachment – B.

#### **Discussion - Plant Sale Contingency Options**

PSE Consultant Tom Butz led a discussion on options available for the Escanaba Generation facilities should a plant sale with Fuel Streamers not materialize. Various option outlines and timeframes were reviewed and discussed. See Attachment – C.

#### **Update – Power Plant Sale – Fuel Streamers Power Systems.**

Manager O'Toole updated the contract negotiations with Fuel Streamers Power Systems. On December 7, 2011, a meeting was scheduled with Fuel Streamers and Council and Electrical Advisory Committee. See Attachment - D.

#### **Discussion – Great Lakes Utilities Membership.**

Administration discussed the possibility of joining the Great Lakes Utilities Group

which would allow the opportunity for purchasing power in the future and networking opportunities on electric industry issues. See Attachment – E.

Electrical Advisory Committee Member Anthony moved, Electrical Advisory Committee Member Arkens seconded, **CARRIED UNANIMOUSLY**, to recommend the City of Escanaba join the Great Lakes Utilities Group, at an approximate cost of \$9,000 per year, which would allow the opportunity for purchasing power in the future and networking opportunities on electric industry issues.

**NB-9** Based on a recommendation of the Electrical Advisory Committee, Nelson moved, Evans seconded, to have the City of Escanaba join the Great Lakes Utilities group, at an approximate cost of \$9,000 per year, which would allow the opportunity for purchasing power in the future and networking opportunities on electric industry issues.

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

Ayes: Nelson, Evans, Baribeau, Cheves  
Nays: None

**MOTION CARRIED.**

**GENERAL PUBLIC COMMENT - None**

#### **COUNCIL/COMMITTEE, STAFF REPORTS**

This was the last City Council meeting for Mayor Cheves. Mayor Pro-Tem Evans presented a memorial gavel to Mayor Cheves as a token of appreciation for his service to the citizens of Escanaba.

#### **ADJOURNMENT**

Hearing no further public comment, or further reports from the Electrical Advisory Committee or Council, the meeting adjourned at 8:03 p.m.

Respectfully submitted,

Robert S. Richards, CMC  
City Clerk

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

ATTACHMENT - A

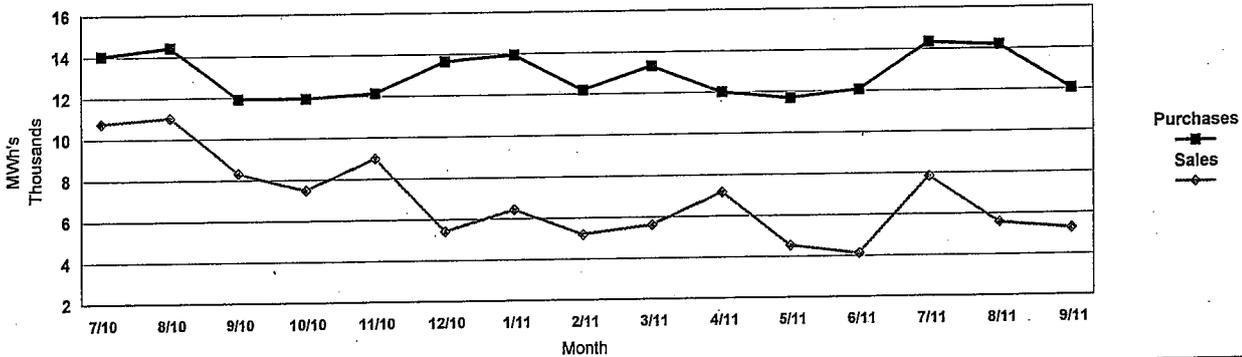
u:\123R3\ELECTRIC\PowerCosts\201112\MISOSummary

NB #5  
11/9/11  
CC/EAC

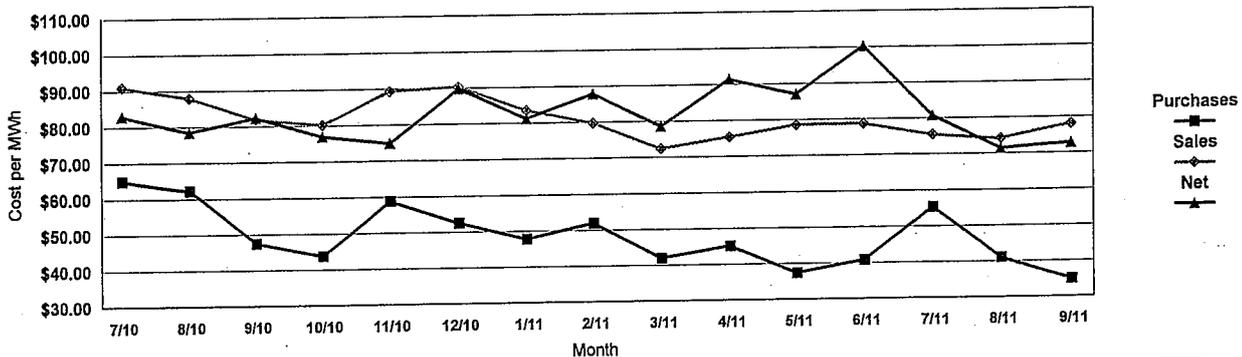
CITY OF ESCANABA  
Electric Utility Fund Operations  
September 2011

		This Year		Last Year		% Change
Power Purchased	September	12,048.83	MWh's	11,920.61	MWh's	1.08%
	Year to Date	40,597.10	MWh's	40,392.61	MWh's	0.51%
Power Costs	September	\$34.98	Per MWh	\$47.44	Per MWh	-26.27%
	Year to Date	\$44.31	Per MWh	\$58.81	Per MWh	-24.66%
Power Generated	September	5,266.83	MWh's	8,320.76	MWh's	-36.70%
	Year to Date	18,684.46	MWh's	30,116.99	MWh's	-37.96%
Power Revenues	September	\$78.08	Per MWh	\$81.94	Per MWh	-4.72%
	Year to Date	\$75.81	Per MWh	\$87.40	Per MWh	-13.26%
Sales in Excess of Fuel/Ash Costs	September	\$25,065		\$106,467		-76.46%
	Year to Date	\$118,173		\$474,286		-75.08%
MISO Make Whole Payments	September	\$221,026		\$257,480		-14.16%
	Year to Date	\$526,549		\$628,532		-16.23%
NET Power Cost	September	\$72.73	Per MWh	\$82.32	Per MWh	-11.64%
	Year to Date	\$75.11	Per MWh	\$81.14	Per MWh	-7.43%
	FY 10/11 Actual			\$82.53	Per MWh	
	FY 11/12 Budget	\$84.28	Per MWh			

City Power Purchases and Sales - MWh's

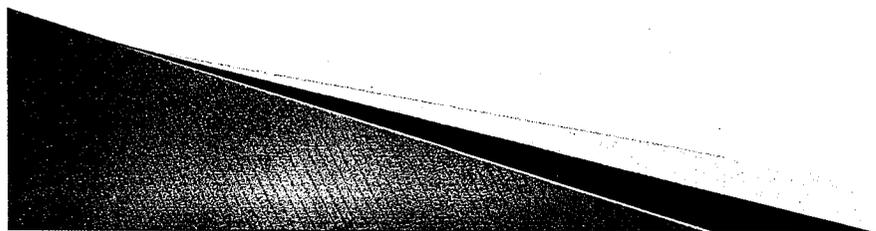


City Power Purchases and Sales - \$



# Considerations

- ▶ Market Prices Likely as Favorable as Expected
- ▶ Potential Market Increases in Prices in Near Future
- ▶ Two and Three Year Price Quotes Remain Favorable
- ▶ “Do Nothing Option” May not remain Favorable
  - Open MISO Market Purchase May Increase
    - Maximum Energy Cost Based on Plant Variable Cost is Very High – \$65–70/MWh



# Decision Timeframe

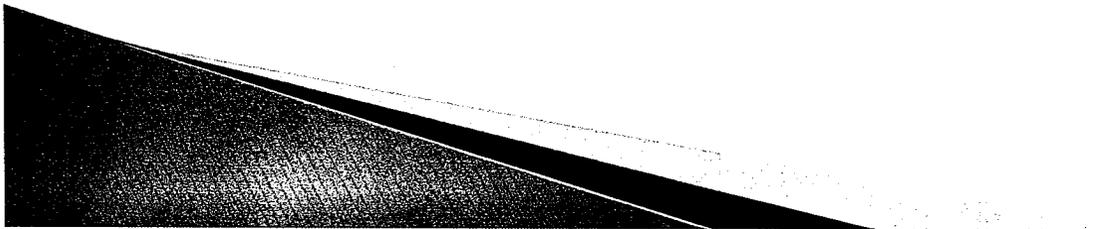
- ▶ December Meeting
  - More Discussions and Economic Comparison
- ▶ Deal would Lock into Pricing for 2012–2014
- ▶ Pursue Contract Discussions Before December Meeting



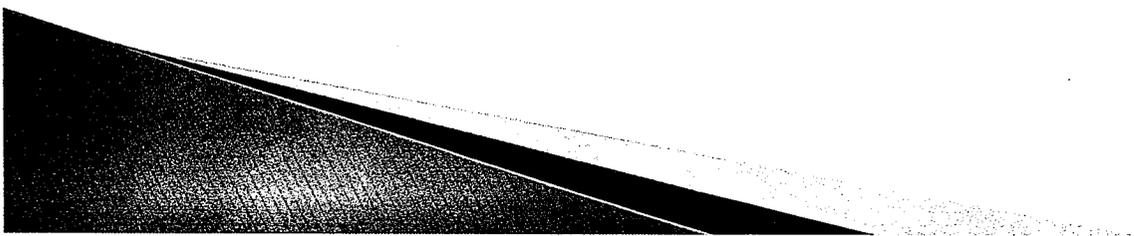
# Agenda 7

## Plant Sale Contingency Options

- ▶ Fuel Streamers Maintaining Interest
- ▶ Significant Timeframes to Pursue Other Options
- ▶ Key Meetings in December to Determine Next Steps



# Significant Questions in Play

- ▶ Viability of Selling the Plant?
  - ▶ Impact and Cost of EPA Regulations?
  - ▶ Timing of Environmental Cleanup?
  - ▶ Timing of Selling the Plant?
  - ▶ Timing of Purchasing Power?
  - ▶ Pursuing Idling of the Plant?
  - ▶ Process of Pursuing Change of Plant Operations?
- 

# Plant Sale Objectives

- ▶ Pursue Selling Plant as First Option
  - ▶ If the Plant cannot be sold, pursue options to reduce power supply costs
    - Plant Fixed Costs Driver of Electric Dept Costs
  - ▶ Alignment to City Charter,
    - May 2009 Referendum
  - ▶ Follow MISO Regulations
    - Process and Timeframes Defined
    - Plant can be Suspended from Service w/out a referendum
  - ▶ Make MISO Request ASAP!! – Options Defined
- 

# Plant Request

- ▶ Requires Filing MISO Attachment Y
  - Starting retirement date must be Specific
    - Backing out of Request Would Require New Generation Interconnection Agreement
  - Filing Options
    1. Decommission and Retire
    2. Suspend Operation and Mothball
      - Must Provide Start Date and Date Returned to Service
      - Must Provide Timeframe needed to return to Service
  - MISO Studies Request – Minimum 26 Weeks
  - MISO Response
    - May Request Unit be Kept Available – Agreement to Pay for all Costs – Nearest Timeframe Early 2013

# Possible Outcomes

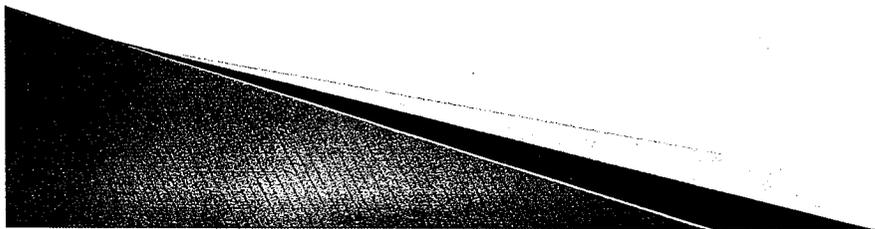
- ▶ Plant Sale Completed?
    - Yes
      - Allow Plant to Return to Service after Construction
    - No
      - MISO Retirement Sought
  - ▶ MISO Need for Escanaba Generation?
    - Needs Escanaba Plant (Called Support Supply Resource SSR)
      - Term ? 12–30 Months ?
    - Doesn't Need Escanaba Plant
  - ▶ Referendum to Close Plant?
    - Passed or Not Passed
- 

# Plan Summary

- ▶ File MISO Attachment Y on December 8, 2011
- ▶ Request Plant Suspension of Operation
  - Suspension Date Start(Or SSR Start) – As Early 6/2012
    - More Likely by 8/1 due to longer study time
  - Suspension Date – End – 2/1/2013
    - 6 months from Expected Start of Suspension
- ▶ If Plant Sale
  - Re-file Attachment Y aligned to plant construction schedule
    - Changes needed to plant for environmental retrofits
- ▶ If No Sale – Seek Referendum to Close Plant

# Remaining Issues

- ▶ Decision on timing and amount of Plant Cleanup
- ▶ Design of New Load Serving Substation Based on Plant Sale Outcome



# Agenda 8

## Update Power Plant Sale

- ▶ Send Fuel Streamers List of Key Negotiating Items
  - October 31, 2011
- ▶ Conference Call to Discuss Response
  - November 9, 2011
- ▶ Date set for Face to Face Meeting
  - December 7, 2011
- ▶ Earliest Expected Sale Closing – First or Second Quarter 2012



# Agenda 9 Great Lakes Membership

- ▶ City Currently Receiving Real Time Set point information
- ▶ Part of Agreement is to receive Meter Data Management Services
  - Working on System Changes Allowing This Service to Begin
- ▶ Agreement Also Includes Becoming Great Lakes member by 1/1/2012
  - Membership Costs Estimated \$9,000 annually
  - Doesn't Require Future Power Purchases

