

OFFICIAL PROCEEDINGS
CITY COUNCIL
ELECTRICAL ADVISORY COMMITTEE
CITY OF ESCANABA, MICHIGAN
Special Joint Meeting
Wednesday, February 8, 2012

Pursuit to a special meeting posted February 3, 2012, the meeting was called to order by the Mayor Leo J. Evans at 6:00 p.m. in the Council Chambers of City Hall located at 410 Ludington Street.

Present: Mayor Leo J. Evans, Council Members, Walter A. "Pete" Baker, Ronald J. Beauchamp, and Brady L. Nelson.

Absent: Patricia A. Baribeau

Baker moved, Nelson seconded, **CARRIED UNANIMOUSLY**, to excuse Council Member Baribeau.

Present: Electrical Advisory Committee Members: Chairperson Tim Wilson, John Anthony, Larry Arkens, Ann Bissell, Glendon Brown, Gilbert Cheves, and Don Racicot.

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, guests, and Media.

City Manager O'Toole asked to add an agenda item 4a, discussion on obtaining a salvage price on the Power Plant.

Nelson moved, Beauchamp seconded, **CARRIED UNANIMOUSLY**, to approve the agenda as amended.

UNFINISHED BUSINESS - None

CONFLICT OF INTEREST - None

PUBLIC HEARING - None

NEW BUSINESS

Update - Electric Department - Distribution Operations.

Electrical Superintendent Mike Furmanski discussed current departmental activities and operations. Mr. Furmanski stated crews had been working on the lighting on Stephenson Avenue, St. Anne's Church and Marquette General Hospital project, the MRO Audit, and other various projects. He advised the Tree Trimming contract had not started.

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

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. The following was reviewed:

- CT was available but did not run in January or February;
- Power Plant - one unit was called up at the beginning of year, and other unit went online on January 23, 2012;
- 23,500 tons of coal was available on the dock in Gladstone. Should be enough coal to get units through Spring;
- Maintenance required Boiler Outage scheduled for May 7th;
- Discussed number of workers needed to operate the plant. It was suggested two man crews may not be enough to operate the plant. Pro Energy Manager Pirkola stated they were working closely with the City and were operating the Power Plant to save City Funds and was not risking the health of Power Plant workers. It was also emphasized they did not know when the Power Plant would be running. It was also advised if an emergency occurred, individuals could be called in for overtime. Pro Energy was comfortable with the current staffing.

Discussion – Power Purchase Update.

Administration and PSE Consultant Tom Butz provided an update on the NextEra power purchase agreement and its first month of operation. Administration briefly reviewed how the MISO and NextEra invoices were being processed.

Discussion– Plant Sale Update.

City Manager O'Toole provided an update on prospective plant sale opportunities. Manager O'Toole stated they were negotiating with Recast Energy LLC of Richmond Virginia, AON, a company affiliated with American Wind and Energy, and Green Energy LLC. He further advised two other companies have also expressed interest in purchasing the Power Plant. The negotiating team recently met and compiled questions, which would be given to interested parties.

Request for a RFP to obtain the Power Plant Salvage Value

City Manager O'Toole advised Administration was seeking approval to obtain an estimate of the Power Plant Salvage value of the structure and equipment. The salvage value figure could be vital for upcoming Power Plant Sale negotiations. During discussion, the following was reviewed:

- The salvage value of the Power Plant structure was necessary as the Plant continued to be maintained and the possibility of required upgrades in the future;

- During negotiations, companies have asked for the salvage value of the Power Plant;
- It was emphasized the salvage value was being requested as part of the negotiating process. Voters approval would be needed to raze the plant;
- Discussion transpired as to whether one or two engineering cost estimates were needed;

A motion was recommended for City Council to obtain two detailed engineering cost estimates for the salvage value of the City Power Plant at a cost not to exceed \$20,000, but after discussion, the motion was withdrawn.

Brown moved, Arkens seconded, **CARRIED UNANIMOUSLY**, to recommend the City Council obtain one detailed engineering cost estimate for the salvage value of the City Power Plant, at a cost not to exceed \$10,000.

Beauchamp moved, Nelson seconded, based on a recommendation of the Electrical Advisory Committee, to obtain one detailed engineering cost estimate for the salvage value of the City Power Plant, at a cost not to exceed \$10,000.

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

Ayes: Beauchamp, Nelson, Baker, Evans
Nays: None

MOTION CARRIED.

Discussion – Plant Operating Cost Overview.

Electric Superintendent Mike Furmanski presented a case study review of plant operating costs using various scenarios associated with the MISO Attachment “Y” filing and power plant sale opportunities.

Discussion – Request for Proposal - Electric Rate Review and Study Analysis.

Administration discussed the concept of retaining the professional services of a firm to assist the City in completing a comprehensive review and study analysis of the current electric utility rate structure.

- With purchasing electrical energy, instead of producing energy, a rate study was needed;
- A sample proposal was reviewed;
- Reviewed the concept of unbundling the electric rates;
- Discussed the possibility of more than one study completed;
- Information would be used to provide companies interested in moving to the area what their electrical cost would be.

Cheves moved, Brown seconded, **CARRIED UNANIMOUSLY**, to solicit a Request-for-Proposal (RFP) for professional services to assist the City in completing a comprehensive review and study analysis of the current electric utility rate structure.

Nelson moved, Beauchamp seconded, based on a recommendation of the Electrical Advisory Committee, to solicit a Request-for-Proposal (RFP) for professional services to assist the City in completing a comprehensive review and study analysis of the current electric utility rate structure.

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

Ayes: Nelson, Beauchamp, Baker, Evans
Nays: None

MOTION CARRIED.

Approval – Great Lakes Utilities (GLU) Resolution Amendment.

Administration sought Council approval to amend the December 15, 2011 Great Lakes Utilities membership agreement, Section 5, by naming the City Council as the final authority on matters regarding GLU.

NB-7 “By Council Member Beauchamp, seconded by Council Member Baker;

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF ESCANABA, MICHIGAN
TO JOIN GREAT LAKES UTILITIES,
A MUNICIPAL ELECTRIC COMPANY**

WHEREAS, City of Escanaba, Michigan (the City) owns and operates an electric utility pursuant to Michigan law, and through such utility distributes and sells electric power and energy at retail;

WHEREAS, the Wisconsin legislature has found in that, in order to ensure the stability and continued viability of municipal electric utilities, there is a need to provide a means by which the municipalities which operate such utilities, including municipalities located outside the state of Wisconsin, may act jointly in all ways possible, including development of coordinated bulk power supply and fuel programs;

WHEREAS, sec. 66.0825(4), Wis. Stats., provides that any combination of Wisconsin and non-Wisconsin municipalities which operate facilities for the generation or transmission or distribution of electric power and energy may, by contract with each other, establish a separate governmental entity to be known as a municipal electric company (MEC);

WHEREAS, an MEC is to be used by such municipalities to effect joint development of electric energy resources for the production, distribution and transmission of electric power and energy in whole or in part for the benefit of the contracting municipalities;

WHEREAS, a number of municipalities are currently members of Great Lakes Utilities ("GLU"), an MEC formed in 2000 pursuant to sec. 66.0825, Wis. Stats., for the purpose of, among other things, implementing joint action strategies on behalf of its municipal members and developing its own bulk power supply utility; and

WHEREAS, GLU's members are all parties to the Contract for the Establishment and Operation of Great Lakes Utilities, as amended ("Establishment Contract"), which is on file with the Secretary of State of the State of Wisconsin;

WHEREAS, the City has reviewed the Establishment Contract, and has examined all other matters deemed relevant by the City; and

WHEREAS, the Escanaba Electric Advisory Committee has recommended that the City become a member of GLU; and

WHEREAS, the Escanaba City Council has determined that it is in the best interests of the City and its electric ratepayers for the City to become a party to the Establishment Contract and thereby become a member of GLU;

NOW, THEREFORE, it is resolved by the Escanaba City Council:

Section One. The City agrees to be bound as a party by all the terms and conditions of the Establishment Contract in order to become a member of GLU.

Section Two. That the appropriate City officials are authorized and directed to execute an agreement on behalf of the City to be bound by the contract and file the agreement with GLU together with an application for membership in GLU and to take all other steps necessary and appropriate to become a member of GLU.

Section Three. That City Electric Superintendent Mike Furmanski is hereby appointed to be the City's initial Director on the Board of Directors of GLU. City Council Member Ronald Beauchamp shall be the Alternate Director.

Section Four. That the City's Director shall receive and give on behalf of the City, any and all notices to and from GLU required or allowed under the contract except that written notice of the change of Director or Alternate Director shall be given by the City Clerk.

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

Ayes: Beauchamp, Baker, Nelson, Evans

Nays: None

RESOLUTION DECLARED ADOPTED.

GENERAL PUBLIC COMMENT

Tony Kleno, Power Plant Employee and Pro Energy Employee Union Representative stated the minimum staffing level of two individuals was inadequate at the City Power Plant

Will Stone, and Dick Derby of American Wind and Energy Group introduced themselves to Committee and Council Members.

Charles Detiege of Escanaba Green Energy introduced himself to Committee and Council Members.

COUNCIL/COMMITTEE, STAFF REPORTS

Committee Members Racicot and Brown briefly reviewed their attendance at the recent ATC open house meeting,

ADJOURNMENT

Hearing no further public comment, or further reports from the Electrical Advisory Committee or Council, the meeting adjourned at 7:20 p.m.

Respectfully submitted,

Robert S. Richards, CMC
City Clerk

Approved: _____
Leo J. Evans, Mayor