

OFFICIAL PROCEEDINGS
CITY COUNCIL
ELECTRICAL ADVISORY COMMITTEE
CITY OF ESCANABA, MICHIGAN
Special Joint Meeting
Thursday, June 28, 2012

Pursuit to a meeting notice posted June 25, 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, Patricia A. Baribeau, Ronald J. Beauchamp, and Brady L. Nelson.

Absent: None

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

Absent: Two vacancies

Also Present: City Manager James V. O'Toole, Electric Superintendent Mike Furmanski, City Controller Mike Dewar, City Attorney Ralph B.K. Peterson, Pro Energy Escanaba Power Plant Manager Jack Scott, Power Systems Engineering (PSE) Representatives Tom Butz, members of the public, and Media.

Nelson moved, Beauchamp seconded, **CARRIED UNANIMOUSLY**, to approve the agenda by combining NB-1 and NB-2 in one discussion.

UNFINISHED BUSINESS - None

CONFLICT OF INTEREST - None

PUBLIC HEARING - None

NEW BUSINESS

Discussion – MISO Attachment Y submittal and Plant Sale Update.

Administration reviewed and discussed the negotiations with MISO of the System Security Resource (SSR) agreement and how the process related to the plant sale negotiations, and received an update of the plant sale negotiations with Escanaba Green Energy and a summary of the plant sale. Power Systems Engineering (PSE) Representative Tom Butz presented a power point presentation (See Attachment – A) which reviewed the following:

- Plant Sale Status;
- Summarized June 13, 2012 Conference Call with MISO;
- SSR Understandings, Term, Operations, Contract Assignable to New Plant Owner, Margins from Operating Revenues to Apply to Fixed Costs, Process and Assignment of SSR;

Joint City Council & Electrical Advisory Minutes

June 28, 2012 – cont.

- MISO Registration/Asset Transfer;
- FERC Approvals;
- SSR Considerations;
- MISO Market Agent and ICCP;
- Major Agreement Provisions;
- Extension of Exclusivity Agreement with Escanaba Green Energy LLC to July 13, 2012. provided the City of Escanaba receives an extension of the letter of credit;
- Schedule of Updated Exclusivity Agreement;
- Will be meeting with MISO on July 5, 2012, which would resolve major portion of remaining questions;
- Discussed additional Attorney Fees.

After discussion, Nelson moved, Baribeau seconded, to extend the Exclusivity agreement with Escanaba Green Energy LLC and Huntley MacMillan Energy Ventures LLC to July 13, 2012.

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

Ayes: Nelson, Baribeau, Beauchamp, Evans
Nays: Baker

GENERAL PUBLIC COMMENT

Escanaba Green Energy representative Charles DeTiege thanked Council for the extension of the APA Agreement. He advised, both parties were very close in finalizing the agreement.

COUNCIL/COMMITTEE, STAFF REPORTS - None

ADJOURNMENT

Hearing no further public comment, or further reports from the Electrical Advisory Committee or Council, the meeting adjourned at 6:55 p.m.

Respectfully submitted,

Robert S. Richards, CMC
City Clerk

Approved: _____
Leo J. Evans, Mayor

- **Extension of Exclusivity Agreement and Letter of Credit**
 - Need Based on Delay of Buyer Not Having Counsel in Place
 - Delay Also Driven by Time Required to Complete MISO Registration
 - New Arrangement Provides Defined Approach of EGE Compensating City for Third Party Costs
 - \$200 K Max

Plant Sale Update

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- **Schedule of Updated Exclusivity Agreement**
 - Seek APA - Counsel Approval July 11, 2012
 - Letter of Credit Approved to July 13, 2012 to Allow for Time to Establish Documentation Before Cashing Letter of Credit
 - Escrow to be In Place by July 18, 2012
 - Date Expected for EGE to Make FERC Filings
 - Letter of Credit will be in play until July 23, 2012
 - Escrow Instructions Completed When FERC Approvals Granted
 - Expected as Early as Sept 15, (Driven by MISO Registration) - As Late as November 30 - Last Date for MISO Registration

Plant Sale Update

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- **Major Agreement Provisions**

- Only Agreement to be Assigned is the Generation Interconnection Agreement
- Remediation
 - Dredging Ash Pond and Additional Wells
 - EGE will Monitor Wells and Provide Input to Remediation to Reduce Future Headaches
- Water Usage
 - Wells Cannot be Used to Supply Plant Water
 - Due Care Plan Findings
 - EGE will Continue to Use Muni Water Supply

Plant Sale Update

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- Power Supply Arrangement
 - City and EGE working Out Pricing for Emergency Power Purchases
- Escrow Arrangement
 - Same Asset Transfer Closing Provisions
 - Different Mechanism of Transferring Funds to Seller and Exchange of Signed Documents

Major Agreement Provisions (Cont)

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- **SSR Considerations**

- Significant Uncertainty of Timeframe of getting approved SSR with FERC
- Not Certain on Buyer Value of SSR
- Uncertainty on Major Questions Regarding SSR Assigned to Buyer
 - May not be Resolved in Next Two Weeks
- Left with Needing to Make Decision on Imperfect Information

Plant Sale Update

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- **MISO Market Agent and ICCP**

- Current Market Agent Agreement Terminates on August 17, 2012
- Negotiating with Great Lakes and NextEra to Determine Best Fit
- Need to Implement Metering Changes to Accommodate Services

Plant Sale Update

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- **MISO Registration / Asset Transfer**
 - Completed by Escanaba Green Energy LLC and City of Escanaba
 - Escanaba Green Energy Required to Begin Significant Credit Requirements by July 1, 2012
 - Sign of Being a Serious Player in the Deal
 - Timing of Asset Transfer
 - As Early as Sept 15 - Late as Nov 30
 - 15 Days Notice

Plant Sale Update

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- **Buyer FERC Approvals Needed**
 - Need a FERC 205 and likely a 203
 - Filings will be concurrent
 - Asset Transfer Cannot Occur with out Approvals
 - Approval Time Expected in 45-90 days of Filing
 - Filing Expected by Mid July 2012
 - Approval Expected as early as Sept 1
 - Late as Mid October

Plant Sale Update

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- **Process**
 - MISO And City Agree on Fixed Costs to Include
 - Draft Testimony Supporting Costs to be Included
 - MISO Files at FERC (Earliest by Aug 1?)
 - Requests Implementation on Day of Filing
 - First MISO SSR Filing
 - Likely to have Interveners in Filing
 - FERC Approval Expected 60-90 Days

SSR Understandings (Cont)

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- **Will Filing Process Muddy Up Ability to Sell Plant?**
 - Timing of Closing on Plant Could Result in City not Owning Assets at the time of the FERC Approval – Instant need to Transfer Assets
 - City Could be Receiving SSR payments after filing with FERC – and no longer own Plant.
- **Will Assignment of SSR result in Long-Term City Liability?**
 - Credit Provisions Name City as Backstop for any Credit Issues if Assigned to New Buyer

SSR Concerns

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- **Conference Call with MISO – June 13, 2012**
 - Mike Dewar, Tom Butz, Many MISO staff including Counsel
 - Provided Some Answers – Many More Issues to Work Through
 - Understandings At This Point
 - City and MISO to Negotiate Fixed Plant Costs to be Paid to the City
 - Costs will be Recovered by ATC Footprint

MISO SSR (Support Supply Resource)

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- **Term –**
 - One Year –
 - Renewable within 90 Days by MISO
- **Operations**
 - Similar to Today – May be Tightening on Outage notice requirements
 - Contract Assignable to New Plant Owner
 - Margins from Operating Revenues to Apply to Fixed Costs Payment

SSR Understandings (Cont)

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Escanaba - SSR and Plant Sale Update

June 28, 2012

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- MISO SSR
- Plant Sale Status
 - MISO Registration
 - FERC Approval Question
 - SSR Considerations
 - Timing of MISO Market Agent and ICCP
 - Major Provisions - Asset Purchase Agreement
 - Extension of Exclusivity - Letter of Credit

Agenda

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