

OFFICIAL PROCEEDINGS
CITY COUNCIL
ELECTRICAL ADVISORY COMMITTEE
CITY OF ESCANABA, MICHIGAN
Special Joint Meeting
Wednesday, October 10, 2012

Pursuit to a meeting notice posted October 5, 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 (EAC) Members: Jon Anthony, Larry Arkens, Tim Wilson, Glendon Brown.

Mayor Evans advised he had received a letter of resignation from Board Member Don Racicot.

Absent: Electrical Advisory Committee Members: Ann Bissell, Three vacancies

Also Present: City Manager James V. O'Toole, Electric Superintendent Mike Furmanski, City Controller Mike Dewar, Pro Energy Escanaba Power Plant Manager Jack Scott, Escanaba Green Energy representatives Charles DeTiege and Jon Ranson, members of the public, and Media.

Baker moved, Nelson seconded, **CARRIED UNANIMOUSLY**, to approve the agenda as submitted.

UNFINISHED BUSINESS - None

CONFLICT OF INTEREST - None

PUBLIC HEARING - None

NEW BUSINESS

Update - Electric Department - General Operations.

Electrical Superintendent Mike Furmanski updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on the current departmental activities, and the MISO Y1 contract. The following was reviewed:

- Pole maintenance;
- Updated Council and Committee Members on the approval of the MISO Y1 agreement, and required public comment. The agreement was retroactive to June 2012;
- Commented on the SSR.

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:

- Provided dates of when the Generators were asked to be run;
- No accidents were reported.

Update – Pond Sediment Removal.

Administration provided an update on the sediment removal work related to the settling ponds at the power plant.

- The Contractor, Denovo, had arrived on the site and had begun working;
- Reviewed work on the Salt pond, and work on the North and South ponds.

Approval – Power Plant Purchase Agreement.

Administration provided an update on the status of power plant purchase agreement between the City of Escanaba and Escanaba Green Energy, LLC (EGE). The following was discussed:

- EGE October 9th deadline extension for the Power Plant purchase was not met;
- Discussed an EGE request for an extension to November 8, 2012, and a letter from EGE's lender Provartis stating that it was in the closing process with EGE and would include a targeted closing date in the letter;
- EGE asked to close the purchase directly instead of the closing into escrow.
- Legal counsel stated terms should be written down ahead and agreed upon;
- EGE representative John Ranson commented on the additional extension and their lender Provartis. Mr. Ranson advised the lender Provartis was still working on Insurance coverage, Title insurance, procedures for funding, and documentation itself. See attachment – A;
- Reviewed terms of September extension. EGE was funding extra Legal Counsel fee's;
- Discussed the \$200,000 Letter of Credit that the City exercised, and reviewed additional \$2,000,000 Letter of Credit which would be presented at closing at Bay Bank;
- Negotiating Committee had been in contact with EGE and Legal Counsel, and consequences if next extension was not met;
- Reviewed possible timeline of events by EGE after closing date, and the Escanaba Plant conversion;
- EGE representative John Ranson reviewed availability of fuel in the area for their biomass facility;

After further discussion, Nelson moved, Beauchamp seconded, to approve a request from Escanaba Green Energy, for an extension of the date to close the purchase transaction of the Escanaba Power Plant from October 9, 2012, to November 8, 2012, provided closing arrangements were acceptable with the City of Escanaba Legal Counsel.

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

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

RESOLUTION DECLARED ADOPTED.

GENERAL PUBLIC COMMENT - None

COUNCIL/COMMITTEE, STAFF REPORTS

- Administration would be coming to Council and Electrical Advisory Committee with a request for additional funds for Legal Counsel;
- Letter of appreciation will be sent to Mr. Racicot for his service on the Electrical Advisory Committee

ADJOURNMENT

Hearing no further public comment, or further reports from the Electrical Advisory Committee or Council, the meeting adjourned at 6:59 p.m.

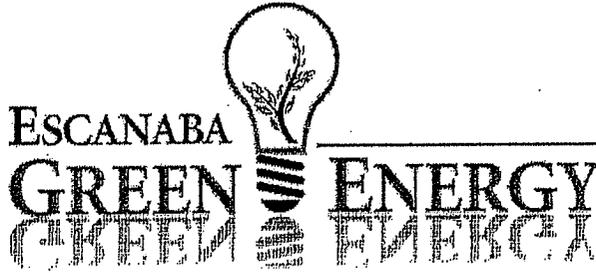
Respectfully submitted,

Robert S. Richards, CMC
City Clerk

Approved:

Leo J. Evans, Mayor

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Office Fax: (906) 217-3103

James V. O'Toole
City Manager
City of Escanaba

Escanaba, MI 49829

Dear Mr. O'Toole:

In follow-up to our telephone discussions of the last week, Escanaba Green Energy, LLC ("EGE") continues its desire to purchase the Escanaba Generating Station (the "Station") from the City of Escanaba (the "City"). As you are aware the City Council requested that EGE show evidence of a financing commitment by September 20th – a commitment which was provided to the City within this timeframe – and to close the financing so that the purchase of the Station took place by October 9, 2012.

EGE is in the process of closing on the financing which will provide EGE the funds to purchase the Station, purchase existing fuel supplies – coal and diesel fuel – for the Station from the City, convert the Station from burning coal to waste biomass and modernize portions of the Station. EGE and the lender, Provartis Capital of Switzerland, are working daily on the closing of this financing and anticipate this will be completed this month – possibly as soon as two weeks.

EGE requests that the City approve an extension of the date to close the purchase transaction from October 9th to November 8th, an extension of 30 days. This extension will give Provartis and EGE sufficient time to complete the documentation of the financing and effectively handle all the details that are associated with such a financial closing.

Provartis will also provide a letter stating that it is in the closing process with EGE and will include a targeted closing date in this letter.

EGE also requests approval by the City to close the purchase directly rather than having a close into escrow. The escrow arrangement was put in place because three regulatory approvals – a FERC 203, FERC 205 and the MISO registration of EGE – were initially expected to be secured after the closing. This necessitated the closing into escrow. All three approvals have been secured allowing a direct purchase rather than an escrow closing.

EGE remains committed to this purchase transaction and the conversion of the Station to burn biomass thereby providing the City with a viable long-term business capable of

proving some 25 high skill jobs at the Station itself as well as some 75 to 100 skilled jobs in the wood harvesting and transportation sectors.

EGE is appreciative of all the support that the City has provided to EGE as together they have negotiated the Asset and Sale Agreement as well as prepared for the transfer of the Station to EGE. EGE realizes that the closing has taken longer than all of us desired; but frankly the closing of a complicated project financing calling for funding over \$30 million and the conversion of the Station to long-term economic viability is not something that is done in a few weeks.

With much appreciation.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Detiege', with a stylized flourish at the end.

Charles Detiege
President