

OFFICIAL PROCEEDINGS
CITY COUNCIL
ELECTRICAL ADVISORY COMMITTEE
CITY OF ESCANABA, MICHIGAN
Special Joint Meeting
Wednesday, March 13, 2013

Pursuit to a meeting notice posted March 6, 2013, 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: Chairperson Tim Wilson, Larry Arkens, Ann Bissell (arrived at 6:05 p.m.), and Glendon Brown.

Absent: Electrical Advisory Committee Members: Jon Anthony, and Two vacancies and Power Plant Liaison

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 (EGE) representative Charles DeTiege and, members of City Administration, the public, and Media.

Nelson moved, Beauchamp 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.

- Reviewed February 19th power outage;
- Reviewed report of City outages compared to national average;
- Reviewed summer projects;
- Reported on average City load in 2012;
- Controller Mike Dewar reviewed Electric Utility Fund, Comparative Income Statement, and Analysis of Cash Balances for the first seven months of FY 12/13;

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

Jack Scott 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.

- Reviewed MISO dispatched dates for the operation of the Power Plant and Combustion turbine;
- Reviewed Boiler pipe failure;
- No accidents or injuries were reported for the Month of February.

Update – Capacity Planning.

Electric Superintendent Mike Furmanski provided a brief update on capacity for planning year 2013/2014.

Review – Asset Purchase Agreement and Amendment Overview.

City Attorney Ralph Peterson provided an overview of the Asset Purchase Agreement (APA) by and between the City of Escanaba and Escanaba Green Energy, LLC including all amendments. Mr. Peterson reviewed the following from the APA:

- Definitions of terms;
- Transfer of all assets, 20 acres land, peaking unit and two turbines;
- Exclusion items;
- Power Plant Sale Price of \$1,600,000, credit of \$200,000 which City was holding, payment of coal at City Cost, and diesel fuel. Buyer agreed to pay City legal fees from August 31, 2012 to closing date, and pro-rata share of insurance costs from December 5, 2012;
- Terminate the agreement;
- Post closing agreement which included an obligation of the buyer to maintain and run the Power Plant for 3 years, From date of closing buyer would receive benefit of the SSR agreement, use and closing of substation and abandonment of equipment, and emergency power supply to the City of Escanaba;
- Contract assumed the closing was going to take place before the MISO arrearage decision was made. The SSR agreement stated if the buyer obtained arrearage funds from the SSR agreement, buyer would forward funds to City. MISO has now agreed to pay arrearage payments directly to City of Escanaba, and further MISO has since agreed to reimburse the City for all their expenses for running the Power Plant since last summer;
- Reviewed various other exhibits attached to the SSR Agreement;

Update – 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).

- Jon Branson of EGE and representative from Provartis were available by phone and provided an update on EGE's financing, and the 10% needed from an initial investor;
- EGE working with 4 potential investors, including the investor that dropped out in January who was coming back to negotiate the 10% deposit;
- EGE was continuing to establish documentation required for the 10% deposit, which included 4 different countries;
- Mr. Ranson gave the date of May 28, 2013, to Council for a Power Plant closing. Could close sooner if deposit was obtained from the Austrian Bank;
- Provartis advised his financial institution was ready and willing to move forward, and gave their prospective on closing the transaction when EGE received their 10% deposit;
- Furmanski summarized City obligations prior to the Sale of the Power Plant;

Update – System Support Resources Agreement (SSR).

Manager O'Toole provided an update on the SSR Agreement between the City of Escanaba and MISO that was conditionally approved by the Federal Energy Regulatory Commission on March 4, 2013.

- Agreement was agreed to, and final details were being sought;
- Administration would also be working on the extension of the agreement if needed.

Approval – Pole Replacement Bid.

Administration sought Council approval of a pole replacement bid from Fox Power Inc. of Gladstone, MI. for outdated power poles in the City System. Electric Superintendent Mike Furmanski provided the scope of the ongoing City Project.

After discussion, Bissell moved, Arkins seconded, **CARRIED UNANIMOUSLY**, to recommend the City Council approve a pole replacement bid from Fox Power Inc. of Gladstone, MI. for outdated power poles in the City System in an amount not to exceed \$250,000.

NB-7 After a recommendation from the Electrical Advisory Committee, Nelson moved, Baribeau seconded, to approve a pole replacement bid from Fox Power Inc. of Gladstone, MI. for outdated power poles in the City System in an amount not to exceed \$250,000.

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

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

MOTION CARRIED.

Update – UPPCO Termination Settlement.

Administration provided an overview on the status of the separation agreement between the City of Escanaba and the Upper Peninsula Power Company for past power plant operations. Attorney Peterson reviewed the following:

- UPPCO/WPS were in dispute on the final City payment of funds to WPS for the operation of the City Power Plant;
- City and UPPCO/WPS met on March 6, 2013, to review final figures;
- Four issues were in dispute, indirect payroll costs, employee termination pay, future pension payments for employees at Power Plant employed by UPPCO, and Workers Compensation claim;
- Mr. Peterson stated no agreement was made at the meeting. The City and UPPCO/WPS would be going to Binding Arbitration. City and UPPCO would share the arbitration costs.

GENERAL PUBLIC COMMENT – None

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 7:10 p.m.

Respectfully submitted,

Robert S. Richards, CMC
City Clerk

Approved: _____
Leo J. Evans, Mayor