

**OFFICIAL PROCEEDINGS**  
**CITY COUNCIL**  
**ELECTRICAL ADVISORY COMMITTEE**  
**CITY OF ESCANABA, MICHIGAN**  
*Special Joint Meeting*  
*Wednesday, December 11, 2013*

Pursuit to a meeting notice posted December 6, 2013, the meeting was called to order by the Mayor Marc D. Tall at 6:00 p.m. in the Council Chambers of City Hall located at 410 Ludington Street.

Present: Mayor Marc D. Tall, Council Members, Patricia A. Baribeau, Ronald J. Beauchamp, Ralph B. Blasier, and Leo J. Evans

Absent: None

Present: Electrical Advisory Committee (EAC) Members: Chairperson Tim Wilson, Jon Anthony, Larry Arkens, Ann Bissell, and Glendon Brown.

Absent: Two vacancies, and Power Plant Liaison.

Also Present: City Attorney Ralph B.K. Peterson, Electric Superintendent Mike Furmanski, City Controller Mike Dewar, Jack Scott of Pro Energy Services, Charles DeTiege of Escanaba Green Energy (EGE), members of the public and media.

Evans moved, Blasier 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 following current departmental activities.

- Bell's Project update;
- Annual Tree Trimming Bid;
- Lots of burned out street lights in town;
- Brief update on Energy purchases;
- Great Lakes Utilities update.

**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.

- Power Plant did not operate in November;
- No accidents or injuries last month;
- Plant was scheduled to operate on December 16<sup>th</sup> and 17<sup>th</sup>;
- Unit No #2 Turning gear out of service due to an oil leak. Parts were ordered and unit would be ready to run when called upon.

**Update – City of Escanaba and Upper Peninsula Power Company Mediation.**

On November 18, 2013, the City of Escanaba participated in a mediation hearing with the Upper Peninsula Power Company over claims made as a result of the termination of the UPPCo Operating Agreement. The parties were able to come to a tentative agreement, which needed City Council approval to become binding. Manager O'Toole and City Attorney Peterson reviewed the facts and outcome of the tentative agreement with the City Council, Electrical Advisory Committee and the Citizens of Escanaba, which included the following:

- Parties agreed to an amount of \$312,500;
- Biggest disagreement between the two parties was due to costs due to an employee accident which was reviewed in detail. City felt UPPCo to negligent;
- UPPCo would take responsibility for the workers compensation case and any other future compensation cases;
- City would be responsible for the Power Plant environmental claims, and was confident in the remediation which was currently ongoing;
- Attorney Peterson briefly reviewed what would happen if the case went to Binding Arbitration;

**NB-3** After discussion Blasier moved, Evans seconded, to approve a November 18, 2013 mediation agreement in the amount of \$312,500, regarding the termination of the UPPCo Operating Agreement, between UPPCo and City of Escanaba.

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

Ayes: Blasier, Evans, Beauchamp, Baribeau, Tall  
Nays: None

**MOTION CARRIED.**

**Discussion - American Transmission Company's projects**

Manager O'Toole and Electric Superintendent Furmanski reviewed American Transmission Company's work performed in the area and how the projects could impact Escanaba residents. (See Attachment – A)

**Update – Power Plant Purchase Agreement.**

EGE Representative Charles DeTiege provided an update on the status of Power Plant Purchase Agreement between the City of Escanaba and Escanaba Green Energy, LLC. Mr. DeTiege was hopeful of a January closing date. Information would be provided to the City as soon as it was received.

**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 6:57 p.m.

Respectfully submitted,

Robert S. Richards, CMC  
City Clerk

Approved: \_\_\_\_\_  
Marc D. Tall, Mayor

12/11/2013

Valerie J. M. Brader  
Deputy Legal Counsel and  
Senior Policy Advisor to  
Gov. Rick Snyder

**ENSURING MICHIGAN'S FUTURE**  
AFFORDABLE AND RELIABLE ENERGY, NO REGRETS FOR OUR FUTURE

## Guiding Principles for Decision Making

**ADAPTABILITY**

**Reliability**      **Affordability**      **Protection of the Environment**

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## Upper Peninsula Power – Recent Changes

- Exercise of Choice
  - Michigan norm (2008 law): no more than 10% of load can leave a utility that must serve remaining customers in service territory
  - UP (due to iron ore exception): approximately 85% of Michigan load can leave utility that must serve remaining customers in service territory
    - That is less than 10% of the company's overall load.

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## Mines' Assessment of Rate Impacts

- Cliffs spent \$120 million with We Energies last year
- Have said deal with Integrys (a multi-year deal) saves "tens of millions of dollars."
  - Cliffs says 17% to 26% savings.
  - So very rough justice, \$25M in savings/yr.  
Assuming a 3-yr deal, that is approximately \$75M

Note: all figures from press report; <http://www.jsonline.com/blog/business/227814321.html>

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## WE Energies' Assessment of Impact

- Stated that this would cause company to reassess whether they needed the capacity at PIPP to stay up.
- Accounting order for cost deferral was requested.
  - Approx. \$50M over 18 months
- MI PSC granted it but indicated Michigan would only bear traditional costs for loss of load. Request for reconsideration

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## The Plant

- Deal between Wolverine and WE re PIPP
  - Up to \$140 million in all required pollution control upgrades in exchange for a approx. 1/3 interest
- Why good for all ratepayers (WI and MI):
  - Adaptable: Leave generation near load
  - Affordable: Allowed avoidance of somewhere between 700M and 250M of new transmission build, all for no cost to WE Energies company
  - Reliability: Long-term solutions needed; this is a much more certain one than long transmission lines
  - Environment: Substantial air quality improvements

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## Longer-Term View

- In order to get “SSR” payments from MISO (which allows some recovery of production costs for plants required to run for reliability), you must declare an intent to retire or suspend operations at that plant
- Awarding an SSR requires MISO to find an alternative to that plant remaining up
  - MISO can only order transmission solutions
  - MISO cannot order generation remain running, even if that requires fewer ratepayer dollars.

## Transmission

- Two years ago, cost of transmission needed if PIPP was retired was estimated to be more than \$1B.
  - Two smaller “no regrets” lines were approved at a cost of approximately \$280M, though ATC had argued more than \$500M in new lines were needed.
- Therefore, approximately \$750M of transmission might be needed
- ATC more recent estimates are another \$250-\$350M

<http://www.midwestenergynews.com/2012/08/24/miso-approves-scaled-down-transmission-expansion-for-up-critics-still-cry-foul/>; <http://www.jsonline.com/blogs/business/226340951.html#ixzz2hHO>

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12/11/2013

### Wide Range of Possible Impacts to Remaining Customers

	WI/MI System	MI only
Short term (16 months SSR payments, 10 yr amortization), WEPCo analysis	0.1-0.2%	2.4-4.1%
Lost revenue contribution to fixed, embedded production cost of mines only (staff analysis)	2.7%	47%
Lost revenue contribution to fixed, embedded production costs of all choice customers	2% 47%	71%

Note: These numbers have a large number of assumptions baked in. They also do not include the rate impact of increased transmission that may be needed in the long term, or assume impacts to locational marginal pricing, etc..

### Recap

- Savings of approx. \$100M for some have some cost implications for all
  - Short term, certain rate increase for remaining customers. Could be as small as less than 1% or as high as 70% depending on rate treatment.
  - Long term, could trigger requirement to build \$700M of transmission that everyone would have to bear
    - \$140M solution that is generation based and with little cost to existing ratepayers cannot be ordered by MISO

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### Administration's Position

- Solutions can be found. We are willing to support and work hard to implement *ANY* solution that does the following:
  - Keeps PIPP up
    - Are willing to look at fewer units, but not losing the plant.
  - Does not make rates unaffordable for all customers
- Adaptable. Affordable. Reliable. Environmentally protective.

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