

**OFFICIAL PROCEEDINGS
CITY COUNCIL
CITY OF ESCANABA, MICHIGAN
Regular Council Meeting
Thursday, February 6, 2014**

The meeting was called to order by the Honorable Mayor Marc D. Tall at 7:00 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

Also Present: City Manager James V. O'Toole, City Department Heads, media, and members of the public.

Reverend Scott White, of First Presbyterian Church, gave the invocation and led Council in the Pledge of Allegiance.

Blasier moved, Evans seconded, **CARRIED UNANIMOUSLY**, to approve Regular Meeting Minutes from January 16, 2014, and Special Meeting Minutes from January 21, 2014, as submitted.

ADJUSTMENTS TO THE AGENDA

Evans moved, Beauchamp seconded, **CARRIED UNANIMOUSLY**, to approve the City Council Agenda as submitted.

CONFLICT OF INTEREST DECLARATION – None

BRIEF PUBLIC COMMENT – None

UNFINISHED BUSINESS – None

PUBLIC HEARINGS - None

NEW BUSINESS

Purchase Approval – ATV Trail Maintenance Equipment.

Administration sought Council approval to purchase an all-terrain vehicle to be used for trail maintenance on the City's recreational ski trails and snow shoe trails. In all, three (3) quotes were received from local vendors with Administration recommending the quote from Cycle City, Inc. of Escanaba, Michigan, be approved in the amount of \$11,860.20. Funding for this purchase was provided by the Hannahville Indian Community through a 2% grant in the amount of \$11,900.

City Recreation Director Tom Penegor briefly reviewed the equipment purchase

with funds received from the Hannahville Indian Community.

NB-1 Blasier moved, Beauchamp seconded, to approve to purchase an all-terrain vehicle from Cycle City, Inc. of Escanaba, Michigan, in the amount of \$11,860.20 to be used for trail maintenance on the City's recreational ski trails and snow shoe trails.

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

Ayes: Blasier, Beauchamp, Evans, Baribeau, Tall

Nays: None

MOTION CARRIED.

Discussion – Sale of the Power Plant/Referendum.

Manager O'Toole updated the Council and public on the latest developments related to the sale of the Escanaba generating facility. Additionally, a referendum discussion took place concerning the potential need to place a referendum proposal before the people at the May 6, 2014, General Election, which if approved would grant the Council the authority to dispose of the Power Plant in the event a sale did not occur.

Manager O'Toole read a letter into the record from Escanaba Green Energy regarding their financing (See Attachment – A). Manager O'Toole and Electric Superintendent Mike Furmanski reviewed the various scenarios of the City MISO and SSR agreements as it pertained to the City Power Plant, and the proposed language for a May 6, 2014, referendum to dispose of the City Power Plant. (See Attachment – B). During discussion the following items were reviewed:

- Main goal was to sell the Power Plant;
- Various substation construction projects;
- Costs to dispose of the Power Plant;
- If ballot referendum failed, City could still continue to sell the Power Plant.

NB-2 Resolved, by Council Member Blasier, seconded by Council Member Evans:

The Escanaba City Council hereby approves the May 6, 2014; Election Ballot language as follows:

“In addition to the authority granted to the City Council to sell the Power Plant for continued plant operations, shall the City Council be authorized to dispose of the Power Plant equipment and assets including up to the 40 acres of real property where said assets are located.”

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

Ayes: Blasier, Evans, Beauchamp, Baribeau, Tall

Nays: None

RESOLUTION DECLARED ADOPTED.

APPOINTMENT(S) TO CITY BOARDS, COMMISSIONS, AND COMMITTEES

Mayor Tall, with Council consensus, made the following appointments:

- Mary A. Finlan to the Downtown Development Authority, term ending 2017;
- Dee Richmond to the Housing Commission, term ending 2017.

BOARD, COMMISSION, AND COMMITTEE REPORTS

Council Members reviewed City Board and Commission meetings each attended since the last City Council Meeting.

GENERAL PUBLIC COMMENT - None

ANNOUNCEMENTS

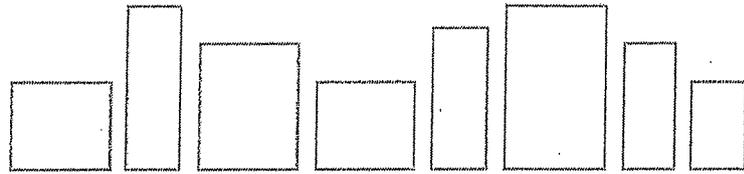
- Commented on the new construction and relocation of the Delta County Animal Shelter and its' new name of John and Melissa Besse Pet Adoption;
- Public Work Crews were commended for all their snowfall cleanup efforts!

Hearing no further public comment, the Council adjourned at 7:46 p.m.

Respectfully submitted,

Robert S. Richards, CMC
City Clerk

Approved: _____
Marc D. Tall, Mayor



**CORBAN INVESTMENTS
FUNDPCC LIMITED**

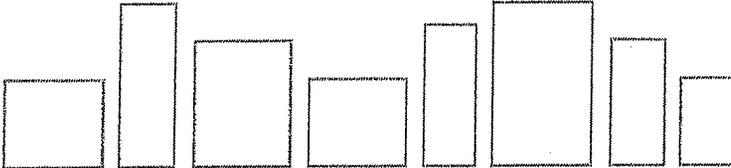
**10/8 International Commercial Centre
Casemates Square
Gibraltar**

If you have further questions, etc, please call me or Pat at your convenience.

Regards.

A handwritten signature in cursive script, appearing to read "Tom Thresher". The signature is written in dark ink and is positioned above the printed name and title.

Mr. Tom Thresher
Director



**CORBAN INVESTMENTS
FUND PCC LIMITED**
**10/8 International Commercial Centre
Casemates Square
Gibraltar**

February 5, 2014

Escanaba Green Energy, LLC
Attn: Charles Detiege, President
P.O.249
Wells, MI 49894

RE: Escanaba Green Energy Financing

Mr. Detiege:

This letter is to provide a further update to Escanaba Green Energy, LLC ("EGE") on the status of the closing of the loan financing for the purchase and renovation of the Escanaba Generating Station that is being arranged by Realty Financial Group ("RFG") through Corban Investments Fund ("Corban").

The Spanish law firm which has been engaged by Corban and is tasked with the final arrangements of the loan's funding was required to fulfill several new requirements which added several days to the arrangement's process. This work has now been done and Corban is expecting documents to be provided to RFG and EGE shortly which will confirm a timeline for the commitment of funds. Corban's counsel is actively engaged with the financial institutions involved and will advise if there are any other required conditions.

This transaction has effectively four sets of documents. The funding related documents are those being prepared by the Spanish law firm which we expect shortly. The documents associated with the RFG and EGE joint venture arrangement have been drafted by RFG and will be perfected by RFG's US based counsel and will be provided to EGE as soon as the Spanish law firm confirms that funds for venture has been moved from Spain to the United States. Standard security documents and the draw control documents will then be drafted by the US law firm and under RFG's instructions, EGE has reopened discussions with Delta Title to coordinate the draw process and title insurance requirements.

RFG anticipates that a closing date will be set in a week.

2/5/2014

- Options if MISO ends the SSR
- City could assume full costs of the plant
 - Annual fixed costs of \$4.5M
 - Rate increase of approximately 30%

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- Options if MISO ends the SSR
- City could seek retirements
- Without voter approval to retire
 - Staffing at plant would be reduced
 - Estimated cost to City of \$125,000/mo
 - Wait 3 - 6 months before next vote, submit Att. Y
 - 6 months for MISO study to allow retirement
- With voter approval to retire
 - Att. Y seeking retirement could be filed immediately
 - Staffing at plant would be reduced
 - Estimated cost to City of \$125,000/mo
 - 6 months for MISO study to allow retirement
- Cost difference to City of \$375k - \$750k
 - Difference due to waiting for vote
 - SSR termination not likely for a few years
 - ATC's Bay Lake Project in service summer of 2016

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- Possible Future #3

- City asks MISO to retire units
- Would need voter approval to retire plant
- If denied, City costs remain similar to current
- If approved, City costs decrease
- If approved, units MUST be retired
 - Could make sale less desirable
 - System Impact Study and Interconnection Agreement

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- Next Steps

- Continue as is, wait for plant to sell
- File another Att Y by Dec 2014
- Seek retirement approval from MISO
 - Voters need to approve retirement first

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2/5/2014

- Possible Future #1
 - Escanaba Green Energy buys plant
 - City costs for plant go to \$0

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- Possible Future #2
 - MISO terminates SSR agreement
 - City costs for plant increase
 - Staffing levels adjusted to match workload
 - Estimated City cost of \$1.5M annually
 - Rate increase of approximately 10% needed

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2/5/2014

• History

- The City became a MISO member in Dec 2009.
- All power needed to serve load was bought from MISO.
- All power generated was sold to MISO.
- Electric Dept took large losses in 2010 and 2011.
- Dec 2011 – signed a fixed price contract with NextEra
- Dec 2011 – filed Attachment Y for 36 month suspension of the 2 steam units. CT was not included.
- Suspension was denied
- System Support Resource (SSR) agreement was entered into, with an effective date of June 15, 2012

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• Current

- 8 months into 2nd year of SSR agreement
- MISO is paying us \$3.7M/year for plant availability
- The City is close to breaking even with current rates
- For 2013 the generators were used as follows:
 - Unit #1 ran 5 times for 634 hrs (26 days) – 7%
 - Capacity Utilization of 3.6%
 - Unit #2 ran 4 times for 421 hrs (18 days) – 5%
 - Capacity Utilization of 2.2%
 - The CT ran 4 times for 36.9 hours – 0.4%
 - Capacity Utilization of 0.2%

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Attachment Y Discussion

February 5, 2014

- Outline of discussion
 - History
 - Current
 - Possible Futures
 - Next Steps
 - Options if MISO ends SSR