

OFFICIAL PROCEEDINGS
CITY COUNCIL
ELECTRICAL ADVISORY COMMITTEE
CITY OF ESCANABA, MICHIGAN
Special Joint Meeting
Wednesday, April 8, 2015

Pursuit to a meeting notice posted March 31, 2015, 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 Michael R. Sattem.

Absent: None.

Present: Electrical Advisory Committee (EAC) Members: John Anthony, Ann Bissell, and Glendon Brown.

Absent: Chairperson Tim Wilson, Larry Arkens, Two vacancies and Power Plant Liaison.

Also Present: City Manager James V. O'Toole, Electric Superintendent Mike Furmanski, City Controller Michael Dewar, Pro Energy Services, Inc. Representative Jack Scott, Power System Engineering Representative Tom Butz, members of the public and media.

ADJUSTMENTS TO THE AGENDA

Beauchamp moved, Sattem seconded, **CARRIED UNANIMOUSLY**, to approve the Joint City Council & Electrical Advisory Committee Agenda as submitted.

CONFLICT OF INTEREST – None

PUBLIC HEARING

Power Plant Sale – Proposal to Purchase – Sterling Energy Group, Inc.

A public hearing was held to garner public comment on a Power Plant purchase proposal tendered by Sterling Energy Group, Inc. Prior to the Public Hearing, Electric Superintendent Mike Furmanski provided a Power Plant history and an update of events starting at May 2009 to date. (See Attachment – A)

Sterling Energy Group (SEG) Chief Financial Officer Jason Sharp reviewed the following information:

- SEG purchases old coal power plants and converts them to biomass power plants;
- The biomass that was expected to be used in Escanaba would be clean biomass fuel, primarily wood debris;
- Forestry waste products would be looked at, but would need to conduct an economic feasibility study;
- Project cost to convert the power plant was estimated at \$40,000,000;

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- Project was contingent on obtaining tax exempt bonds;
- Reviewed various types of biomass that could be used at a biomass plant;
- C&D wood fuel would meet new Federal standards;
- Intent was to sell renewable energy credits;
- Financing was estimated to take 6 months, along with other parallel items at the same time;
- Purchase exclusivity would be requested along with the purchase agreement;
- Short term benefits of a \$40,000,000 project would bring in economic gains to the community during construction. In the long term, the project could employ approximately 30 - 35 jobs into the community;
- Briefly explained financing based on C&D wood fuel.

This being a public hearing, Mayor Tall asked if there was any public comment.

Darrell Bengry advised he supported the project and encouraged Council to seriously consider the Sterling Energy Group proposal.

Maria Maniaci questioned why tires could not be burned similar to the local paper mill.

Dennis Renkin stated burning biomass was a very conceivable process. He encouraged Council to support SEG's proposal.

John Prokos concerned of what happens if biomass diminishes, and if so, what would be used to keep the furnaces burning. He concluded by encouraging Council to support the project.

Paul Caswell, questioned how much local labor would be used. Mr. Sharp advised that to protect the bond holders, a construction company would need to be EPC certified, but advised local labor would be used as much as possible.

John Merki Jr. questioned whether the project would go through. Mr. Sharp advised, before any SEG expenses were made, certain project contingencies were needed.

Leslie Rose questioned moisture content in the fuels. Mr. Sharp advised the moisture content in C&D waste was already very low.

Kim Pepin stated that 17 union, and 2 salary positions were currently employed at the plant. If Council approved SEG's proposal, SEG anticipated employing between 30 to 35 potential jobs for the area. Mr. Pepin also questioned contingencies if power was lost and there was not a power plant.

Hearing no further public comment, Mayor Tall closed the public hearing.

Power System Engineering representative Tom Butz reviewed MISO SSR Extension Timeframes (See Attachment – B)

Mr. Sharp stated that if MISO allowed the City to shut down the power plant, Sterling

Energy Group would continue to purchase the power plant.

Manager O'Toole reviewed the following options and recommendations:

ADMINISTRATIVE SUMMARY

- Option 1
 - Wait for MISO to Make SSR Extension Decision
 - No Further Actions
- Option 2 (60 days)
 - Negotiate Term Sheet with Sterling Energy
- Option 3 (60 days)
 - Develop an RFP seeking Reuse/Repurpose possibilities appropriate for the existing site, would take 60 days
- Option 4 (60 days)
 - Both Options 2 and 3 – Concurrently

After discussion, Beauchamp moved, Baribeau seconded, to direct Administration to complete the following regarding the Escanaba Power Plant and the proposal from the Sterling Energy Group:

- 1.) Negotiate Term Sheet with Sterling Energy Group between now and June 10, 2015;
- 2.) Develop and prepare an RFP seeking Reuse/Repurpose possibilities appropriate for the existing site over the next 60 days.

Ayes: Beauchamp, Baribeau, Sattem, Tall
Nays: Blasier

MOTION CARRIED .

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. He advised the annual tree trimming project began, and his department has received many new construction inquires.

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.

- Power Plant has been shut down since the February Substation event;
- Reviewed Plant Maintenance;
- Reviewed Power Plant damage from the February Substation event.

Update – Substation Repair/Replacement

An update on the repair/replacement of the Power Plant Substation was provided.

- New substation went on line March 19, 2015;
- Reviewed reclosure repairs.

GENERAL PUBLIC COMMENT – None

COUNCIL/COMMITTEE, STAFF REPORTS – None

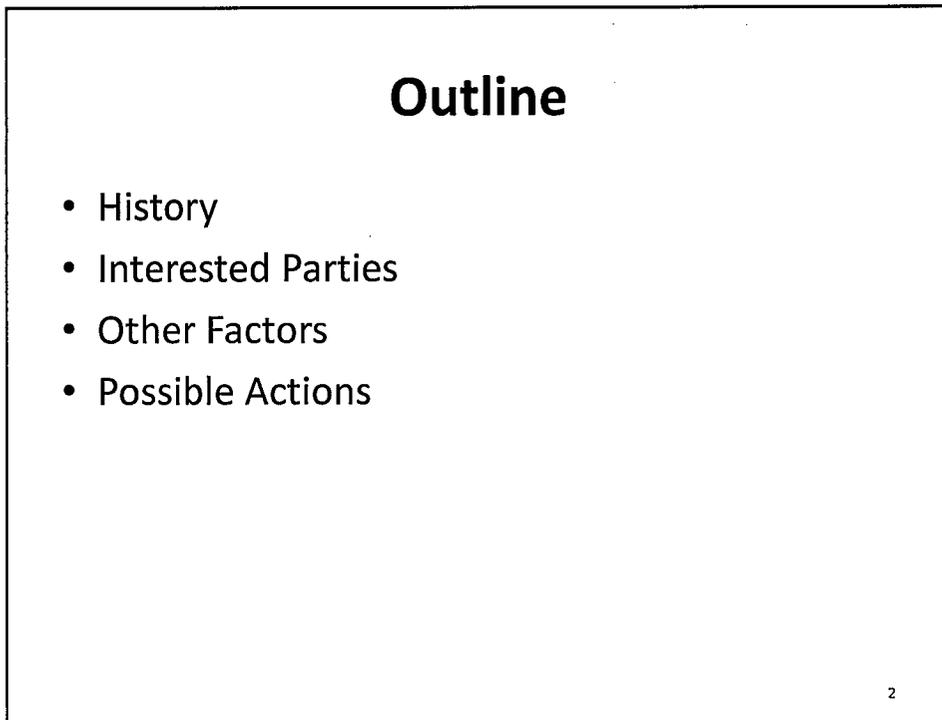
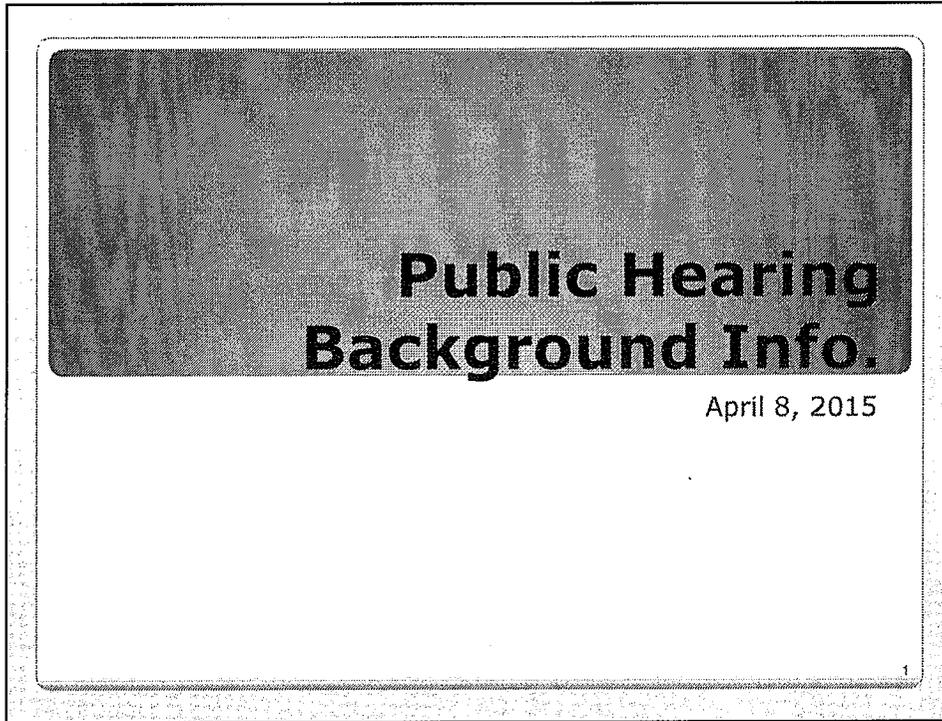
ADJOURNMENT

Hearing no further public comment, or further reports from the Electrical Advisory Committee or Council, the meeting adjourned at 7:42 p.m.

Respectfully submitted,

Robert S. Richards
City Clerk

Approved: _____
Marc D. Tall, Mayor



History

- By 2009, it was clear that purchasing energy was much cheaper than generating energy
- May, 2009 vote to “sell, lease, or dispose of plant” was approved by 59%, but needed 60% to pass
- August 2009, vote to “sell to another entity for continued plant operations” passed
- September 2009 – RFP issued, proposals received
- December 2009 – became MISO MP
- January 2010 – Traxys was named as potential buyer
- December 2010 – Negotiations with Traxys ended

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History

- Early 2011 – RFP for new plant operator to replace UPPCO
- Mid 2011 – new RFP for plant purchase
- June 2011 - ProEnergy Services took over plant operations
- Sept 2011 - Fuelstreamers named potential buyer
- December 2011 – Fuelstreamers ended negotiations
- December 2011 – asked MISO for 3 years of suspension

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History

- January 2012 – RFP for plant purchase
- March 2012 – Escanaba Green Energy named potential purchaser
- May 2012 – MISO denied suspension request
- June 15, 2012 – SSR agreement for 2 steam units started
- July 2012 – Asset Purchase Agreement signed with EGE

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History

- 2012 - 2014 – various addendums(6) to EGE APA
- May 2014 – referendum to dispose approved
- December 2014 – asked MISO for another year of suspension, which was denied
- January 2015 – terminated APA, asked MISO for plant retirement
- January 2015 – received proposal from Sterling Energy
- February 2015 – substation event

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Interested Parties

- Proposal from Sterling Energy
 - Purchase plant and assets - \$250 K
 - Investment of \$40 Million for biomass conversion
 - Agreement Contingent on Tax-exempt bond financing
 - Agreement Transferable to a Special Purpose Entity
 - Pay a \$200 K non-refundable deposit upon execution of Term Sheet
 - City Legal Costs – Past(EGE) and Future(Sterling)

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Interested Parties

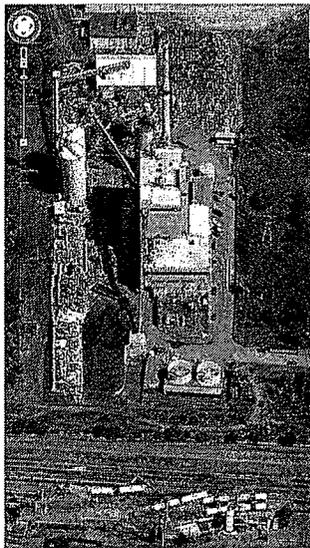
- Others have shown interest in continued plant operations
 - No formal proposals at this time
- Others who want to reuse/repurpose property
 - Could not happen until MISO allows plant to be retired
 - RFP has not been issued

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Questions / Discussion

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Niagara Generating Station

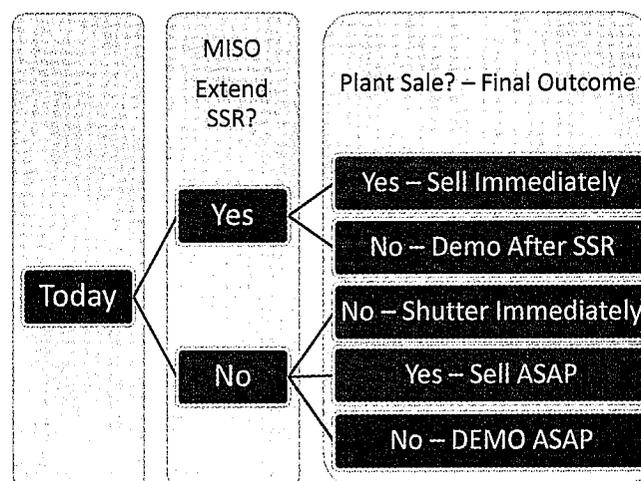


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MISO SSR Extension Timeframe

- Current SSR Terminates June 14, 2015
- If MISO provides Notice to Escanaba by June 1, 2015 to Extend
 - Plant Available by December 20, 2015
 - Required timeframe for getting plant online
 - Timeframe based on available engineering and labor resources for repairs

Range of Future Outcomes



Other Factors

- Demolition Estimate
 - 2012 –
 - \$2,461,921 demo costs,
 - \$1,856,140 scrap value,
 - \$605,781 net cost to City
 - 2015 –
 - \$2,690,207 demo costs,
 - \$1,299,298 scrap value,
 - \$1,390,909 net cost to City.
- Environmental clean-up costs - \$607,324 to date

Administration Summary

- Option 1
 - Wait for MISO to Make SSR Extension Decision
 - No Further Actions
- Option 2 (60 days)
 - Negotiate Term Sheet with Sterling Energy
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 - Develop an RFP seeking Reuse/Repurpose possibilities appropriate for the existing site.
- Option 4 (60 days)
 - Both Options 2 and 3 – Concurrently