

OFFICIAL PROCEEDINGS
CITY COUNCIL
ELECTRICAL ADVISORY COMMITTEE
CITY OF ESCANABA, MICHIGAN
Special Joint Meeting
Wednesday, June 10, 2015

Pursuit to a meeting notice posted May 27, 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: Chairperson Tim Wilson, John Mellinger, and Glendon Brown.

Absent: EAC Members Larry Arkens, Ann Bissell, John Anthony, One vacancy and Power Plant Liaison.

Also Present: City Manager James V. O'Toole, Electric Superintendent Mike Furmanski, Melissa Becotte, Pro Energy Services, Inc. Representative Charles Detiege, members of the public and media.

ADJUSTMENTS TO THE AGENDA

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

CONFLICT OF INTEREST – None

UNFINISHED BUSINESS

Discussion – Senate Bill 282 and House Bill 4575 – Michigan Electric Infrastructure Act.

Council discussed Senate Bill 282 and House Bill 4575, bills which were designed to regulate the siting and construction of certain transmission lines; to prescribe powers and duties of certain state and local entities and officials; to create a board; to prescribe the board's powers and duties; and to provide for certain fees. Council directed Administration to prepare a Resolution in Opposition to Senate Bill 282 and House Bill 4575, and to have the Resolution distributed to all elected State Officials from the Upper Peninsula, all members of the House and Senate Subcommittees on Energy and Policy, all Upper Peninsula media outlets, and Governor Rick Snyder.

Upon motion made by Council Member Beauchamp, seconded by Council Member Baribeau, the following resolution was adopted:

**A Resolution
In Opposition to
Senate Bill 282 and House Bill 4575**

WHEREAS, Michigan lawmakers are proposing to form a review board for the purpose of evaluating the benefits of building electrical transmission facilities seeking to increase the transmission capacity between the Lower Peninsula and the Upper Peninsula of Michigan; and

WHEREAS, Legislation proposes that Michigan consumers pay for the cost of transmission facilities that are intended to reduce the congestion of moving power between the Lower Peninsula and the Upper Peninsula of Michigan, without regard for cost causation and allocation principals; and

WHEREAS, The U.P. Energy Shortfall is a result of generation retirements in the U.P. The current legislation assumes that interconnection of the peninsulas is the best solution without any consideration of available generation from the lower peninsula; and

WHEREAS, Current legislation disregards that many load centers in Wisconsin, Ohio, and Indiana are currently supplied with reliable, low cost power from another state, and transmission improvements have been made across state lines. Such legislation must acknowledge the potential for increased electrical rates by consumers not benefiting from the transmission additions; and

WHEREAS, SB 282 and HB 4575 does not take into account the many economic and technical barriers that stand in the way of making a case that more transmission would reduce electric rates for Michigan customers. Any proposed project would have to meet the threshold of having lower revenue requirements for the new transmission compared to the projected congestion and loss savings of an entity having the opportunity to contract for lower cost power in the lower peninsula; and

WHEREAS, MISO currently includes economic considerations in transmission planning studies and all stakeholders have the opportunity to provide input into the transmission planning process; and

WHEREAS, Current legislation prescribes the makeup of the Board, which limits the expertise needed for a board tasked with making decisions regarding complex matters; and

WHEREAS, The tasks assigned to the board are very complex, which will require technological expertise. The board will not likely have the expertise to conduct these studies on their own, thus consultants or staff will be required, with no mechanism described for who pays for these costs; and

BE IT RESOLVED: That the City of Escanaba, City Council, stands in opposition to Senate Bill 282 and House Bill 4575, bills attempting to regulate the siting and construction of

certain electric transmission lines; to prescribe powers and duties of certain state and local entities and officials; to create a board; to prescribe the board's powers and duties; and to provide certain fees for Michigan's long term electrical energy needs; and

THEREFORE BE IT RESOLVED, that a copy of this resolution be sent to all elected State Officials from the Upper Peninsula, to all members of the Senate and House Subcommittee's on Energy, all Upper Peninsula media outlets, and Governor Rick Snyder.

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

Ayes: Beauchamp, Baribeau, Sattem, Blasier, Tall

Nays: None

RESOLUTION DECLARED ADOPTED.

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.

- Staff daily work was back to normal;
- Reviewed West Side Sub-Station check-list.

Update – Shutdown of Power Plant – Pro Energy Services, Inc.

Charles Detiege of Pro Energy Services, Inc. updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the power plant shut down. (See Attachment – A)

Approval – Professional Services – Combustion Turbine Inspection.

Administration sought Council approval to hire Energis High Voltage Resources of Green Bay, WI to conduct an evaluation of the combustion turbine which was damaged on February 2, 2015 as part of the substation malfunction. The purpose of the evaluation was to obtain a cost estimate to repair.

NB-3 Blasier moved, Sattem seconded, to approve to hire Energis High Voltage Resources of Green Bay, WI to conduct an evaluation of the combustion turbine which was damaged on February 2, 2015 as part of the substation malfunction.

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

Ayes: Blasier, Sattem, Beauchamp, Baribeau, Tall

Nays: None

MOTION CARRIED.

Approval – Mandated Fire Rated Clothing Purchase.

Administration sought Council approval to purchase fire rated clothing for departmental linemen from Aramark Uniform Services of Salem, NJ in an amount not to exceed \$16,000. This purchase was not included in the current fiscal year budget but was being mandated by State law.

NB-4 Beauchamp moved, Blasier seconded, to purchase fire rated clothing for departmental linemen from Aramark Uniform Services of Salem, NJ in an amount not to exceed \$16,000.

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

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

MOTION CARRIED.

Approval – Professional Services – Power Plant Security

Administration sought Council approval to enter into a professional services agreement with Delta Force P.I. of Escanaba, MI in an amount not to exceed \$36,000 for security services at the Power Plant property between June 15, 2015 and December 31, 2015. This service was not included in the current fiscal year budget. Council also asked for a report regarding the purchase of remote high end security cameras.

NB-5 Blasier moved, Beauchamp seconded, to enter into a professional services agreement with Delta Force P.I. of Escanaba, MI in an amount not to exceed \$36,000 for security services at the Power Plant property between June 15, 2015 and December 31, 2015.

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

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

MOTION CARRIED.

Discussion – Wholesale Power Purchase.

Electric Superintendent Mike Furmanski updated the Council on the City's existing wholesale power purchase contract and talked about future wholesale power rates. (See Attachment – B) During discussion, Mr. Furmanski recommended to extend the NextEra Contract from January 2017 through May 2020 at the blended rate of \$55.86, and to do nothing with the capacity options at this time, but continue to review prices.

After further discussion, Beauchamp moved, Baribeau seconded, to extend the City of Escanaba NextEra Contract from January 1, 2017 through May 31, 2020, at the blended rate.

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

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

MOTION CARRIED.

After further discussion, it was Council Consensus to do nothing with Capacity options at this time, but to continue reviewing prices and report back to Council.

Update – Power Plant Sale.

Manager O'Toole updated the City Council, Electrical Advisory Committee and the Citizens of Escanaba regarding the sale of the plant. He advised Term Sheet negotiations continued with Sterling Energy for the sale of the Power Plant. Two requests for proposals were received. Administration was continuing to review them.

GENERAL PUBLIC COMMENT

City resident, and Power Plant employee Don Racicot, commented on the Power Plant security issue recommending the security by individuals instead of security cameras. Mr. Racicot also commented on Sterling Energy term sheet.

Manager O'Toole stated negotiations with Sterling Energy never stopped regarding the sale of the City Power Plant. It has always been the City's desire to sell the Power Plant to someone who would continue to use the Power Plant to sell power and continue to employ the workers at the plant. Manager O'Toole further advised that if a final sale agreement with Sterling Energy was reached, a special Council Meeting would be scheduled.

COUNCIL/COMMITTEE, STAFF REPORTS – None

ADJOURNMENT

Joint City Council & Electrical Advisory Minutes
June 10, 2015 – cont.

Hearing no further public comment, or further reports from the Electrical Advisory Committee or Council, the meeting adjourned at 6:55 p.m.

Respectfully submitted,

Robert S. Richards
City Clerk

Approved: _____
Marc D. Tall, Mayor

Shutdown Update

Items	Complete
Drained Boilers with Drum Doors open	100%
Drain turbine oil from reservoirs – Steam Turbines	100%
Remove coal from bunkers - 682 tons total	100%
Clean ash from the boilers, precipitators, and ash silo	100%
Drain Condensate, Feedwater, Make-up & Bearing Water	100%
Drain Deaerator, Feedwater heaters (shell & tube bundles)	100%
Drain Permeate lines and tank	100%
Drain Hotwells and Air ejector float traps	100%
Drain all sight glasses, transmitters and float traps	100%
Remove, drain, and clean all Chemical tanks and lines.	100%
Ensure circulating water lines are drain, barricade discharge	100%
Secure all access point on all buildings, Protect lower level windows from breakage, Repair all broken windows, seal up all building penetrations (pigeon/rodent control). Place "Warning Signage", ie Building contains Asbestos, Lead, Arsenic, etc. at all entry points.	90%
Asbestos & Mercury Switches Removed	90%
Isolate DC power – open breakers, remove batteries	75%
Open all breakers, (rack-out)	75%
Tools & office equipment moved to central and secured location.	50%
Remove contents from lube oil storage room, pump waste oil storage tank, Remove hazardous liquid products, boiler chemicals, water treatment chemicals	50%
Mobile equipment will be moved to Electric and Public works locaton -	0%
Relocate Station Records and Equipment files to a secure location	0%
Remove lower section of Precipitator ladders	0%
Shut off water to Station, Pump House, ensure fire hydrants are charged	0%
Pump Septic tank, Office Bathroom Sump, Combustion Turbine in ground Sump Tanks	0%
Drain Station water lines, domestic, service & fire protection	0%
Remove Permeate Tank Ladder	0%
Drain domestic water heaters	0%
Terminate Phone Service	0%
Plug all Floor Drains including floor trenches	0%
Maintain Substation cable vault sump pump until sale status is determined	?
Isolate AC power to Station (alternative power source for fuel transfer station, vault sump pump)	?
Combustion Turbine was left alone per City Instruction.	100%

Wholesale Power Discussion

June 10, 2015

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- Components of Wholesale Power
 - Energy
 - Capacity
 - Transmission
 - MISO
 - Other Costs – SSR, MiRECs, Dispatch

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- Energy and Capacity
 - 2 components we have some control on
 - Little control over other 3 components
- NextEra
 - Market based rate, guaranteed price
 - Short term contracts
 - Longer term hedges available
- GLU
 - Mix of contracts, plus DA/RT MISO market
 - Mix includes long and short term contracts
 - Prices are not guaranteed

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- Energy
 - Currently 80% of wholesale power costs
 - Currently under contract with NextEra
 - Fixed price, full requirements to Escanaba
 - \$57.10 thru Dec 2016
 - \$52.32 for C/Y 2017
 - \$54.94 for C/Y 2018
 - \$59.00 indicative for Jan 2019 – May 2020
 - Other options
 - NextEra
 - Full requirements to hubs
 - Blocks of energy to Escanaba
 - Blocks of energy to hubs
 - Great Lakes Utilities
 - Power pool
 - Mixed contracts and market

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- Capacity
 - Currently buying from Great Lakes Utilities
 - 15/16 \$0.41 under contract
 - \$172,200
 - 16/17 \$0.61 under contract
 - \$256,200
 - Indicative prices much higher
 - 17/18 and beyond are \$3+
 - \$1,260,000 @ \$3.00/kw-mo
 - \$1,386,000 @ \$3.30/kw-mo

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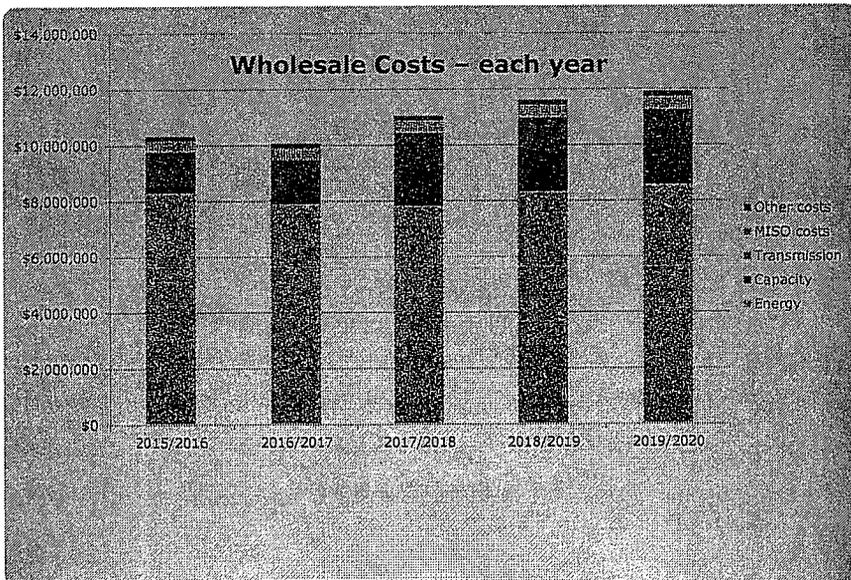
- Transmission
 - ATC
- MISO
 - Market costs
- Other Costs
 - SSR costs

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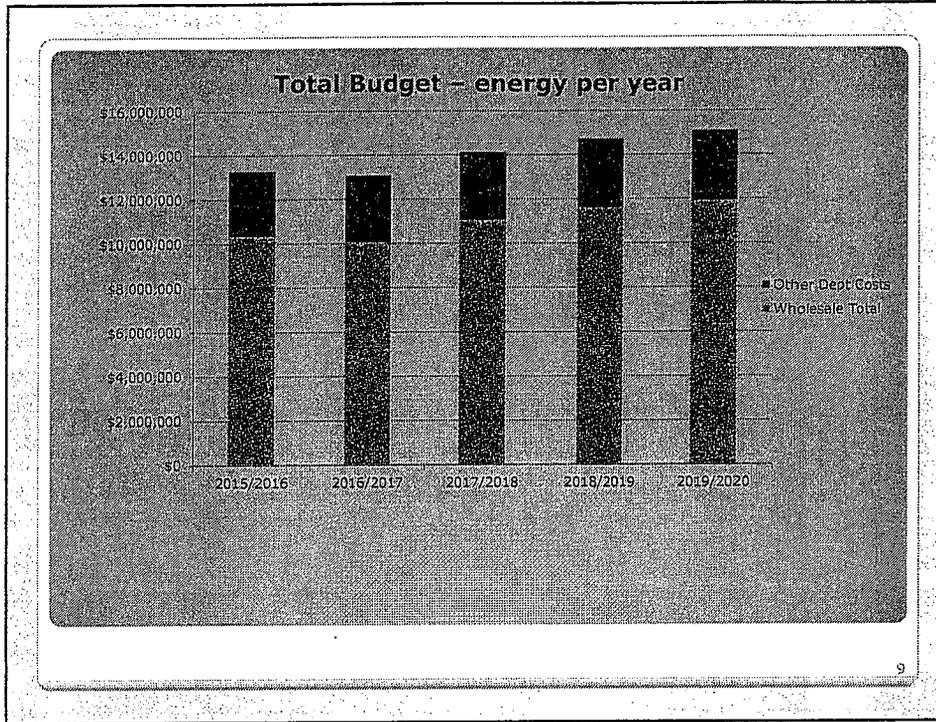
5 year projections buying energy a year at a time
 '17 @ \$52.32, '18 @ \$54.94, '19/20 @ \$59.00

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Energy	\$8,308,050	\$7,902,348	\$7,834,933	\$8,338,363	\$8,584,500
Capacity	\$172,200	\$256,200	\$1,260,000	\$1,260,000	\$1,260,000
Transmission	\$1,285,000	\$1,310,700	\$1,336,914	\$1,363,652	\$1,390,925
MISO costs	\$400,000	\$420,000	\$441,000	\$463,050	\$486,203
Other costs	\$170,250	\$173,655	\$177,128	\$180,671	\$184,284
Wholesale Total	\$10,335,500	\$10,062,903	\$11,049,975	\$11,605,735	\$11,905,912
Other Dept Costs	\$2,935,214	\$2,993,918	\$3,053,797	\$3,114,873	\$3,177,170
Total Budget	\$13,270,714	\$13,056,821	\$14,103,771	\$14,720,608	\$15,083,082

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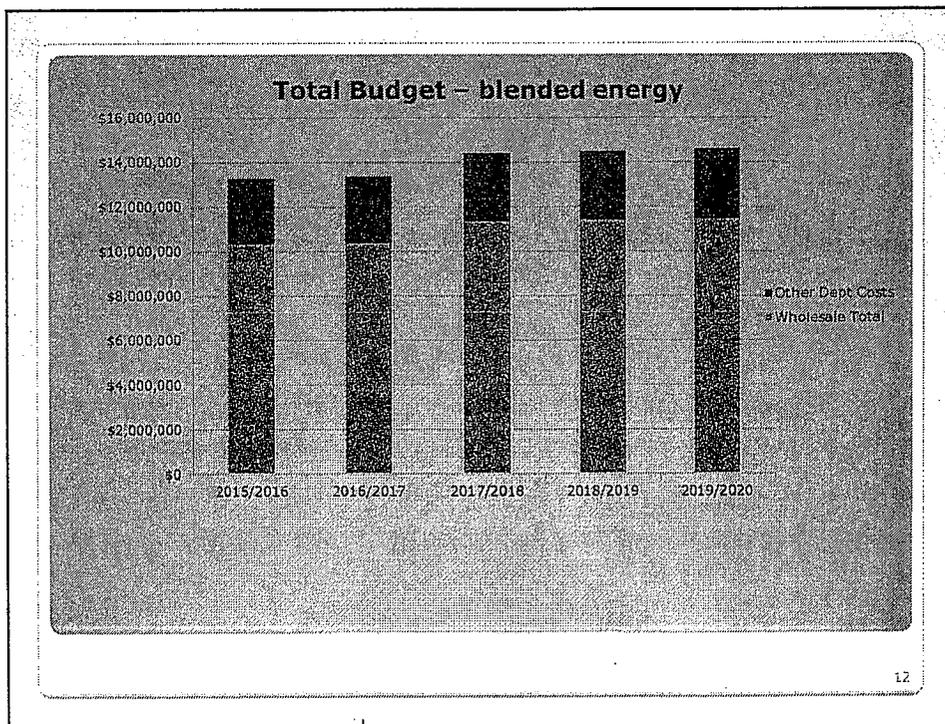
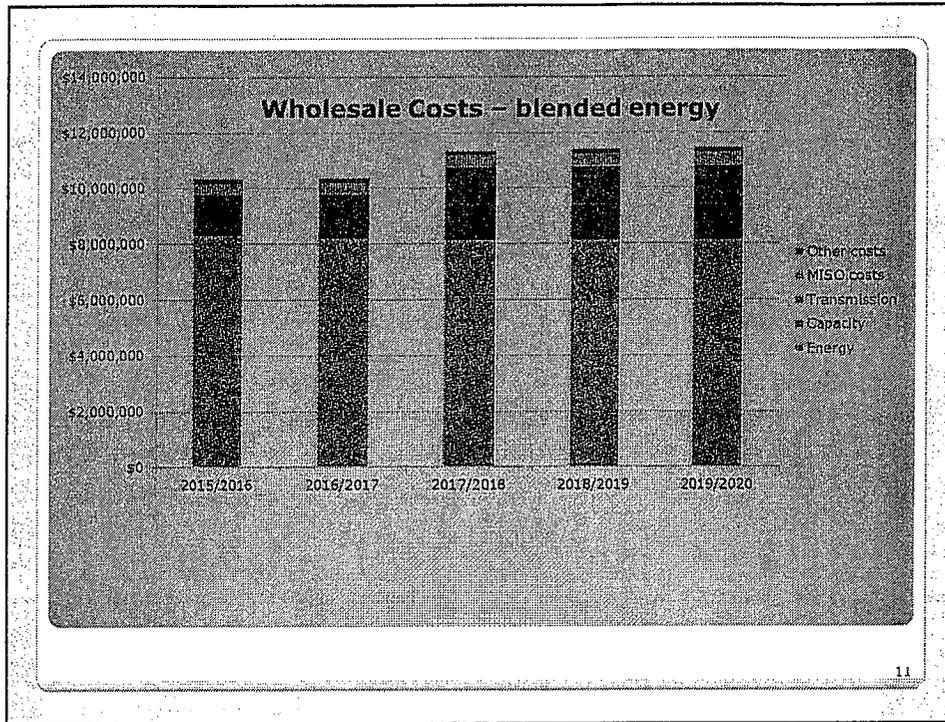


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5 year projections, blended rate - Jan 2017 – May 2020 @ \$55.86

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Energy	\$8,308,050	\$8,202,805	\$8,127,630	\$8,127,630	\$8,127,630
Capacity	\$172,200	\$256,200	\$1,260,000	\$1,260,000	\$1,260,000
Transmission	\$1,285,000	\$1,310,700	\$1,336,914	\$1,363,652	\$1,390,925
MISO costs	\$400,000	\$420,000	\$441,000	\$463,050	\$486,203
Other costs	\$170,250	\$173,655	\$177,128	\$180,671	\$184,284
Wholesale Total	\$10,335,500	\$10,363,360	\$11,342,672	\$11,395,003	\$11,449,042
Other Dept Costs	\$2,935,214	\$2,993,918	\$3,053,797	\$3,114,873	\$3,177,170
Total Budget	\$13,270,714	\$13,357,278	\$14,396,469	\$14,509,876	\$14,626,212

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- Assumptions used
 - Energy 145,500 Mwh/yr, Capacity 35 MW/yr
 - 2% annual increase for most other costs
 - 5% annual increase for MISO costs
- Impacts to rates – yearly purchases

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
% Increase		-1.61%	8.02%	4.37%	2.46%

- Impact to rates – blended

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
% Increase		0.65%	7.78%	0.79%	0.80%

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- Energy Options
 - Do nothing – keep getting future prices
 - GLU Power Pool
 - Have a GLU rep at the July meeting
 - Extend the NextEra contract
- Capacity Options
 - Do nothing – keep getting prices
 - Buy all future capacity needs
 - Buy some future capacity needs

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Blended Costs of energy

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Energy	\$8,308,050	\$8,173,099	\$8,076,705	\$8,076,705	\$8,076,705
Capacity	\$172,200	\$256,200	\$1,260,000	\$1,260,000	\$1,260,000
Transmission	\$1,285,000	\$1,310,700	\$1,336,914	\$1,363,652	\$1,390,925
MISO costs	\$400,000	\$420,000	\$441,000	\$463,050	\$486,203
Other costs	\$170,250	\$173,655	\$177,128	\$180,671	\$184,284
Wholesale Total	\$10,335,500	\$10,333,654	\$11,291,747	\$11,344,078	\$11,398,117
Other Dept Costs	\$2,935,214	\$2,993,918	\$3,053,797	\$3,114,873	\$3,177,170
Total Budget	\$13,270,714	\$13,327,572	\$14,345,544	\$14,458,951	\$14,575,287
	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
% increase		0.43%	7.64%	0.79%	0.80%

Annual cost of energy

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Energy	\$8,308,050	\$7,902,348	\$7,834,933	\$8,267,068	\$8,462,280
Capacity	\$172,200	\$256,200	\$1,260,000	\$1,260,000	\$1,260,000
Transmission	\$1,285,000	\$1,310,700	\$1,336,914	\$1,363,652	\$1,390,925
MISO costs	\$400,000	\$420,000	\$441,000	\$463,050	\$486,203
Other costs	\$170,250	\$173,655	\$177,128	\$180,671	\$184,284
Wholesale Total	\$10,335,500	\$10,062,903	\$11,049,975	\$11,534,440	\$11,783,692
Other Dept Costs	\$2,935,214	\$2,993,918	\$3,053,797	\$3,114,873	\$3,177,170
Total Budget	\$13,270,714	\$13,056,821	\$14,103,771	\$14,649,313	\$14,960,862
	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
% increase		-1.61%	8.02%	3.87%	2.13%