

OFFICIAL PROCEEDINGS
CITY COUNCIL
ELECTRICAL ADVISORY COMMITTEE
CITY OF ESCANABA, MICHIGAN
Special Joint Meeting
Wednesday, October 26, 2016

Pursuit to a meeting notice posted October 4, 2016, the meeting was called to order by the Mayor Marc D. Tall at 4:03 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 (Left at 4:27 p.m.), and Michael R. Sattem.

Absent: None.

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

Absent: Electrical Advisory Committee Member John Mellinger.

Also Present: City Manager James V. O'Toole, City Clerk Robert S. Richards, Electric Superintendent Mike Furmanski, Power System Engineering (PSE) Representatives Tom Butz, and 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

UNFINISHED BUSINESS – None

NEW BUSINESS

Update – Electric Department – General Operations.

An update on departmental operations was given by Electric Superintendent Mike Furmanski. He advised his department was working on fall service requests, and provided an update on the ATC lawsuit.

Purchase Approval Request – North Substation General Building Materials.

Administration sought Council approval to purchase needed materials for the construction of the North Substation. The bid opening for this item was conducted on October 21, 2016.

NB-2 Beauchamp moved, Sattem seconded, to award North Substation General Building

Materials bid to Border States of Pewaukee, Wisconsin, in the amount of \$90,775.68.

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

Ayes: Beauchamp, Sattem, Blasier, Baribeau, Tall

Nays: None

MOTION CARRIED.

Purchase Approval Request – North Substation Structural Steel.

Administration sought Council approval to purchase the structural steel needed for the construction of the North Substation. The bid opening for this item was conducted on October 21, 2016.

NB-3 Blasier moved, Sattem seconded, to award North Substation Structural Steel bid to B&B Steel of Knapp, Wisconsin, in the amount of \$63,978.

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

Ayes: Blasier, Sattem, Beauchamp, Baribeau, Tall

Nays: None

MOTION CARRIED.

Approval – North Substation Construction Services.

Administration sought Council approval to retain construction services for construction of the North Substation. The bid opening for this item was conducted on October 21, 2016.

NB-4 Baribeau moved, Blasier seconded, to award North Substation Construction contract to Energis High Voltage Resources, Inc, of Green Bay, Wisconsin, in the amount of \$600,000.

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

Ayes: Baribeau, Blasier, Sattem, Beauchamp, Tall

Nays: None

MOTION CARRIED.

Discussion – Parcel Transfers.

Manager O'Toole updated the Electrical Advisory Committee, the City Council and the Citizens of Escanaba on the progress being made to transfer the original power plant substation and fuel storage tank to DunYet Enterprises, LLC as outlined in the previously Council approved Power Plant/Property Asset Purchase Agreement.

Electric Superintendent Mike Fumanski provided an update on the Combustion Turbine Unit. Mr. Fumanski advised an RFP was due back November 1, 2016.

NB-6 After discussion, Sattem moved, Baribeau seconded, **CARRIED UNANIMOUSLY**, to direct the City Attorney to prepare the necessary legal documents to transfer the Power Plant Combustion Turbine Unit to the successful November 1, 2016, Request for Proposal (RFP) bidder.

Update – MISO System Support Resources Case.

Electric Superintendent Mike Fumanski updated the Electrical Advisory Committee, the City Council and the Citizens of Escanaba on the latest developments related to the cost allocation ruling issued by the Federal Energy Regulatory Commission as part of our MISO System Support Resources Agreement.

Discussion – Power Purchase.

Electric Superintendent Mike Fumanski updated the Electrical Advisory Committee, the City Council and the Citizens of Escanaba on potential future power purchase options. Administration recommended extending the energy deal with NextEra by three years which would end on May 31, 2024, on a year by year basis. Discussion also took place on the purchase of capacity. (See Attachment – A)

After discussion, Beauchamp moved, Sattem seconded, to extend the energy contract with NextEra by three years which would end on May 31, 2024, on a year by year basis at yearly costs.

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

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

MOTION CARRIED.

After further discussion, Beauchamp moved, Sattem seconded, authorized Administration to purchase needed electric capacity at a not-to-exceed price of \$3.85/kW-month, for a period of 3 years.

GENERAL PUBLIC COMMENT – None

COUNCIL/COMMITTEE, STAFF REPORTS

Electrical Advisory Committee Member Brown suggested continuing with City infrastructure improvements, and provided a quick update on the solar energy study, and commented on upcoming legislative electrical bills.

ADJOURNMENT

Hearing no further public comment, or further reports from the Electrical Advisory Committee or Council, the meeting adjourned at 5:14 p.m.

Respectfully submitted,

Robert S. Richards
City Clerk

Approved: _____

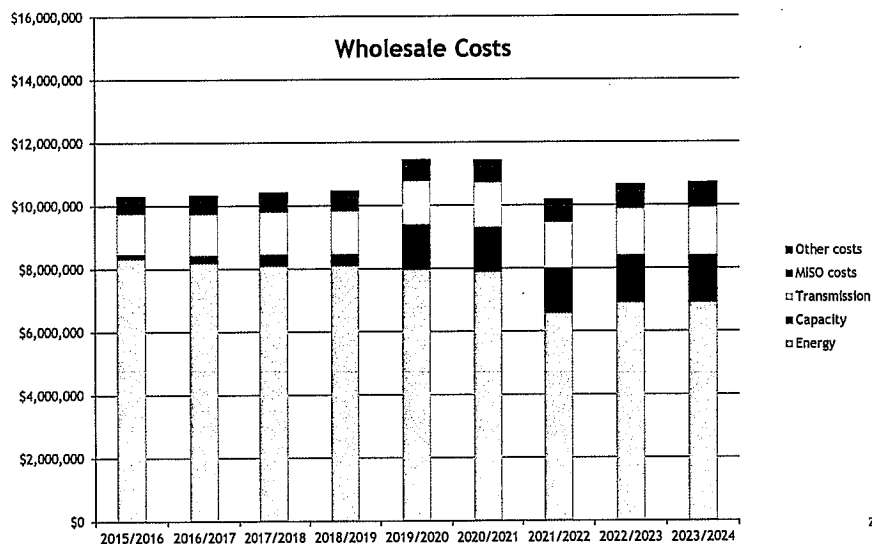
Marc D. Tall, Mayor

Escanaba Power Supply Discussion

October 26, 2016

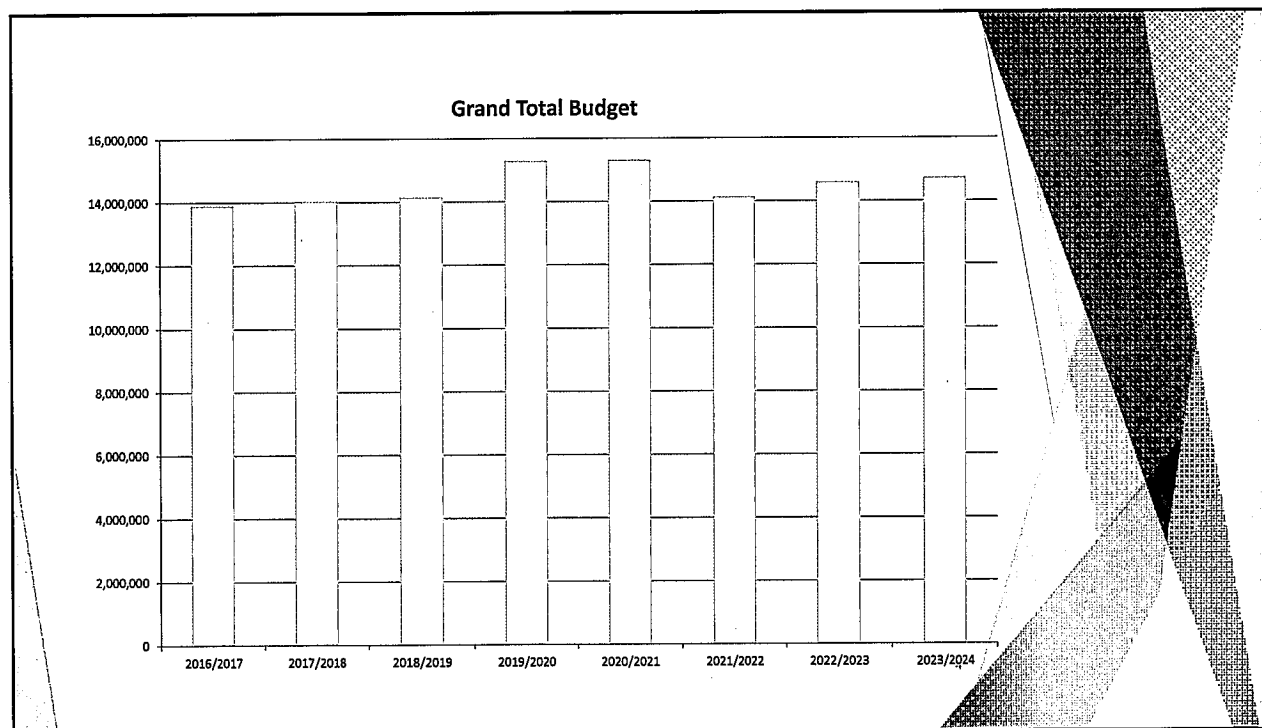
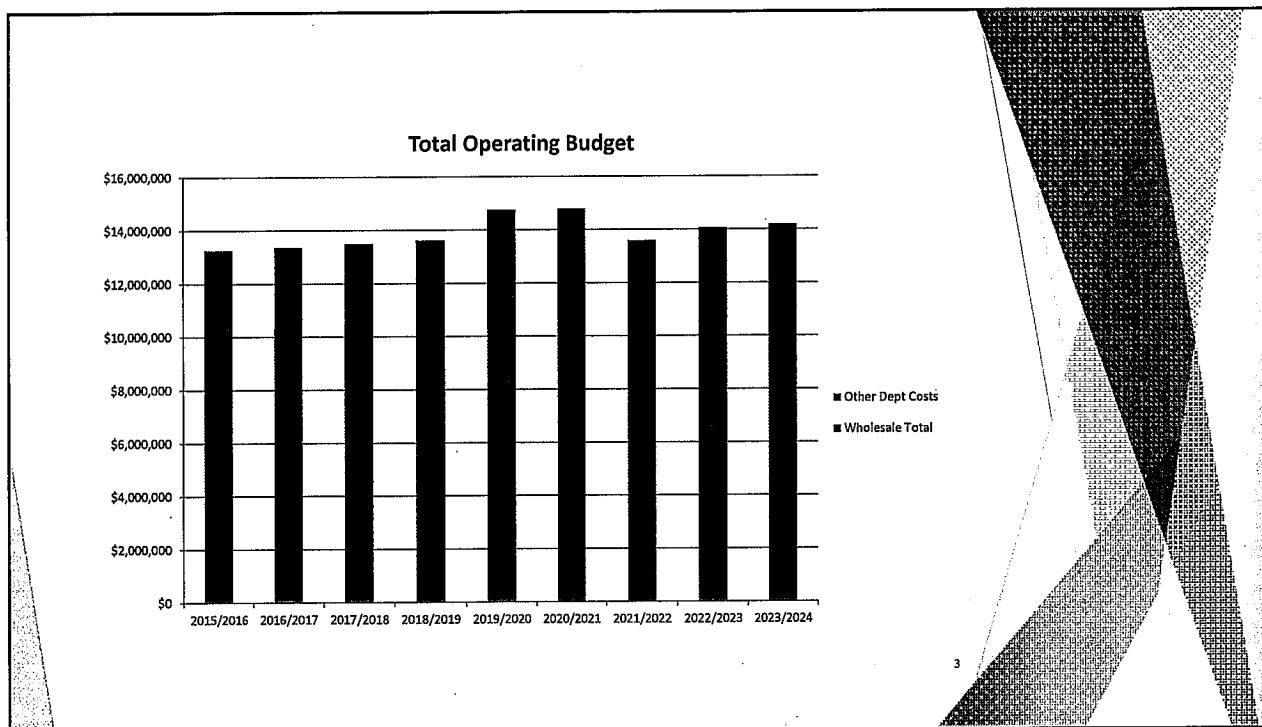
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Wholesale power components



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Attachment - A



Wholesale Components

- ▶ Energy
 - 79% of our current wholesale costs
 - We have some control on this component
 - Future costs are expected to remain stable or decline
- ▶ Capacity
 - Limited control, costs expected to rise - from current \$1 to \$3.50 - \$6.00
- ▶ Transmission
 - Extremely limited control
- ▶ MISO Costs
 - No control
- ▶ Other Costs
 - SSR, MiRECS

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Energy Purchasing Options

- ▶ Open position
 - ▶ Pay the DA and RT prices for energy from the MISO Market
 - ▶ No price certainty, least expensive option MOST years.
- ▶ Buy blocks of energy
 - ▶ Fixed price for majority of load, balance actual load with MISO Market
- ▶ Not-to-exceed - GLU
 - ▶ Certainty of a maximum price
- ▶ Power pool - GLU
 - ▶ Estimated price for all MWHs
 - ▶ Includes capacity
- ▶ Full requirements - NextEra
 - ▶ Fixed price for all MWHs, most expensive option MOST years.

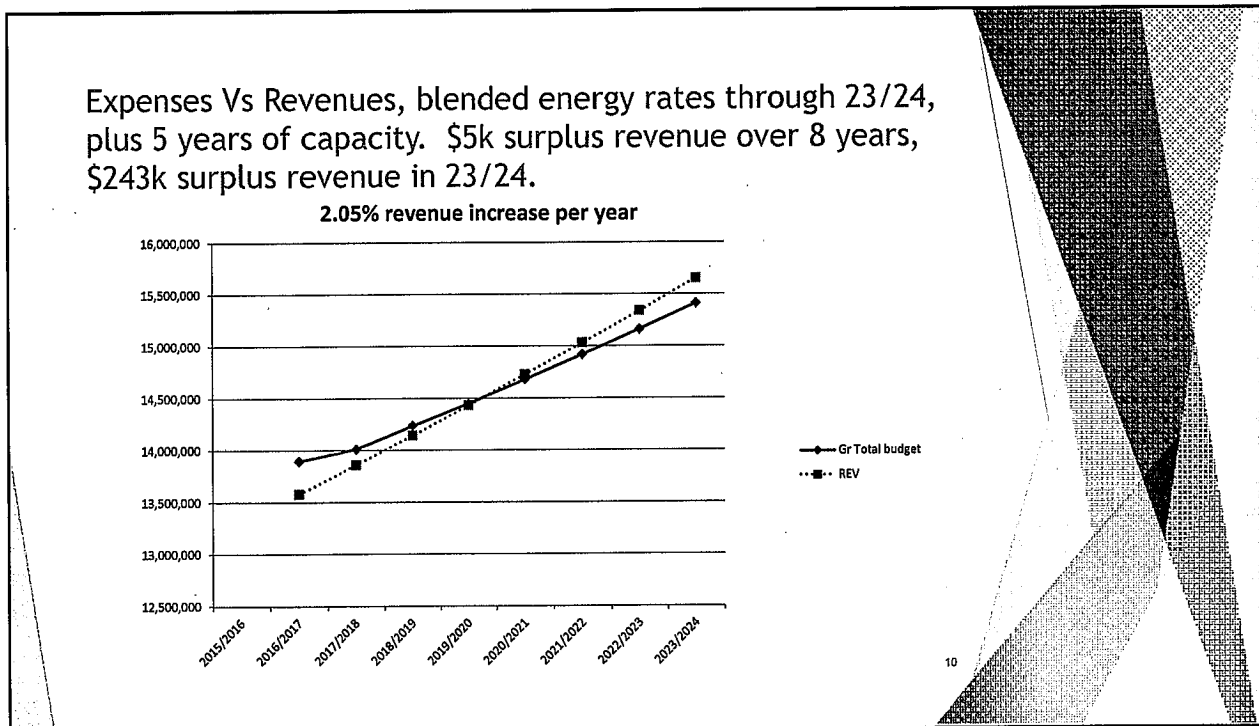
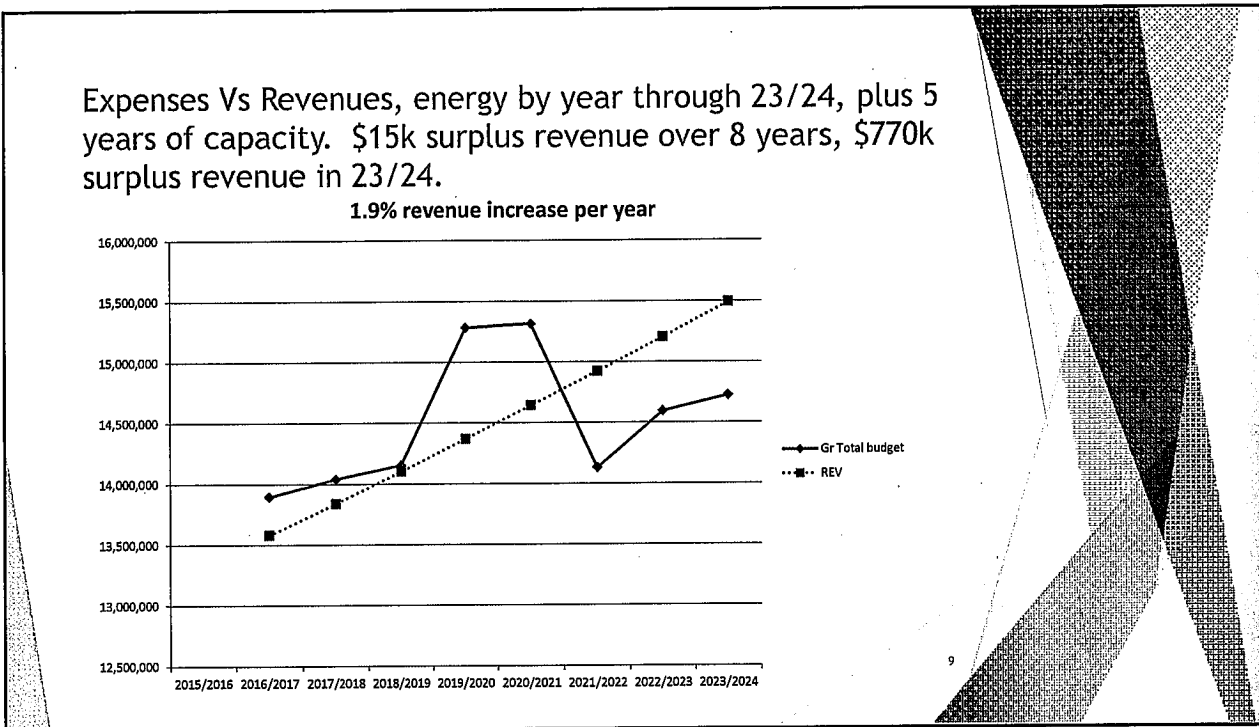
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History/current/future

- ▶ Since January 1, 2012 we have been buying energy on a full requirements basis from NextERA.
- ▶ The original contract was for 5 years at a price of \$57.10/MWH
- ▶ Subsequent extensions have been for lower prices
- ▶ We have the following prices under contract:
 - ▶ Thru 12/31/2016 = \$57.10
 - ▶ 1/1/17 - 12/31/19 = \$55.51
 - ▶ 1/1/20 - 5/31/21 = \$54.08
- ▶ We have purchased capacity from GLU since 2012
- ▶ We are contracted for capacity from GLU through May 31, 2019
- ▶ Recent and future capacity costs (\$/kW-mo)
 - ▶ P/Y 2015 = \$0.41
 - ▶ P/Y 2016 = \$0.61
 - ▶ P/Y 2017 = \$1.00
 - ▶ P/Y 2018 = \$1.00
 - ▶ P/Y 2019 and beyond are expected to be \$3.50 - \$6.00

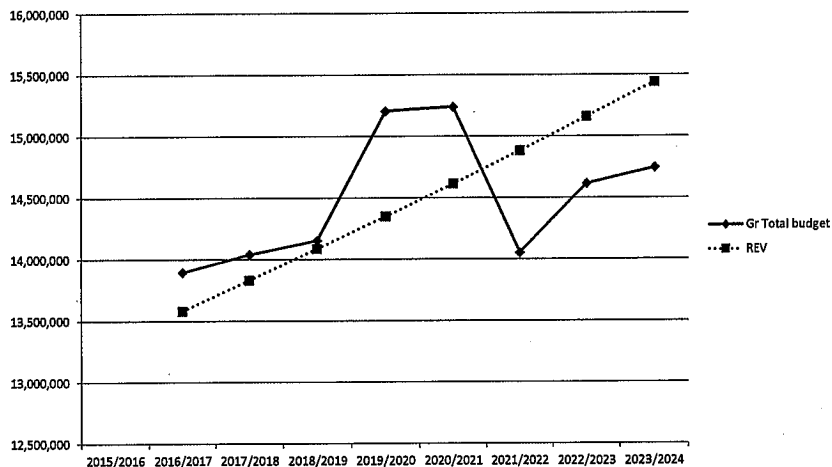
Options

- ▶ Do Nothing at this time
 - ▶ Get price refresh in 6 months
- ▶ NextEra
 - P/Y 21/22 energy extension with a fixed price
 - Possible 3 year capacity
 - P/Y 21/22 - 23/24 energy extension with fixed prices
 - Possible 5 year capacity
- ▶ Great Lakes Utilities
 - P/Y 21/22 energy offer with a not-to-exceed price
 - Capacity available
 - Power Pool membership
 - Buy blocks of energy and have GLU balance blocks to actual for us



Expenses Vs Revenues, energy by year through 23/24, plus 3 years of capacity, plus 2 years of assumed capacity cost of \$4. \$6k surplus revenue over 8 years, \$696k surplus revenue in 23/24.

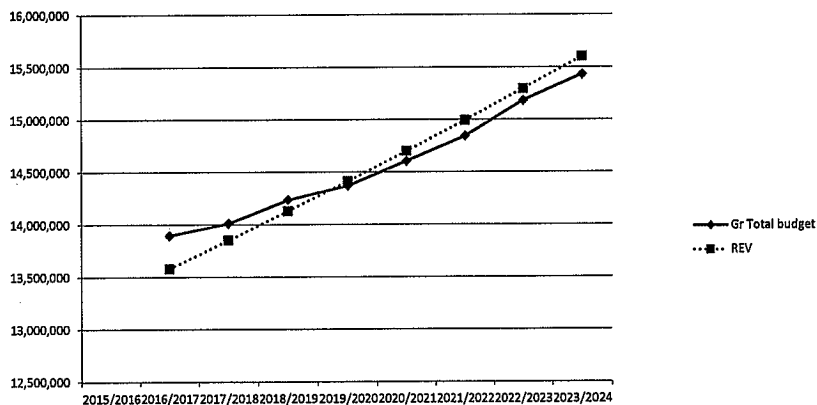
1.85% revenue increase per year



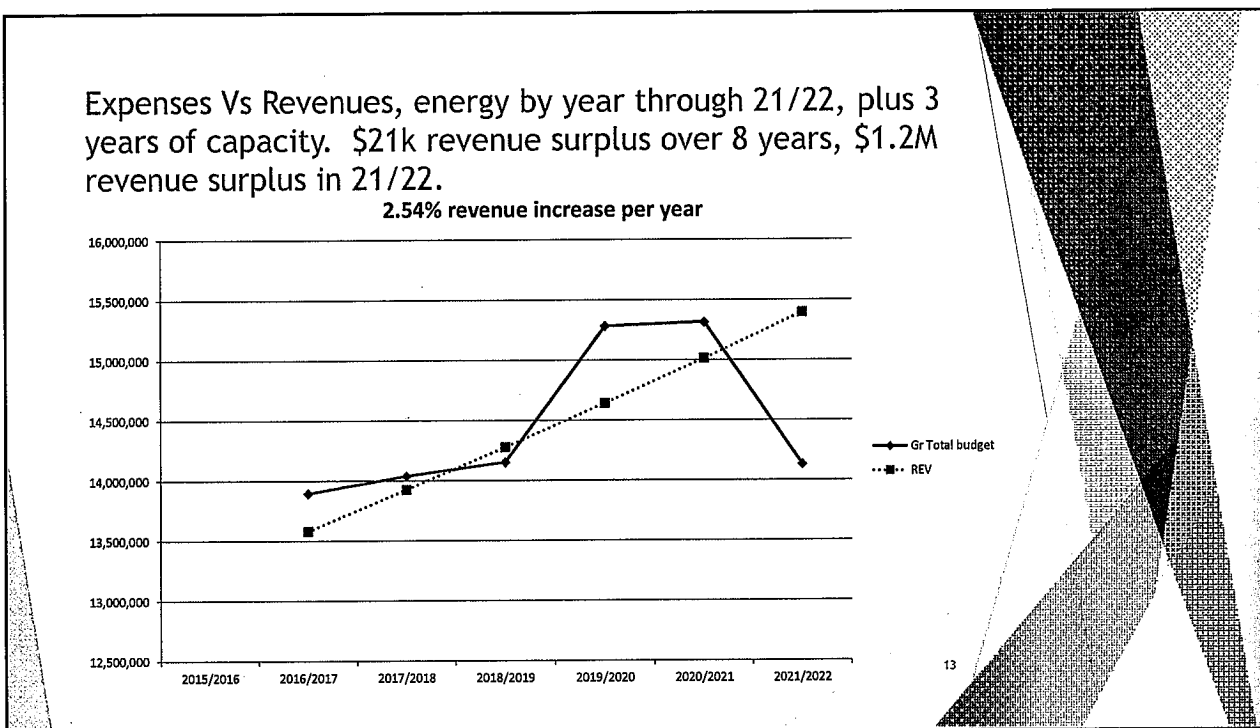
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Expenses Vs Revenues, blended energy through 23/24, plus 3 years of capacity, plus 2 years of assumed capacity cost of \$4. \$9k revenue deficiency over 8 years, \$170k surplus revenue in 23/24.

2.00% revenue increase per year



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Recommendation

- ▶ Administration recommends extending the energy deal with NextEra by three years, which would end on May 31, 2024
 - ▶ Purchase the energy on a year-by-year basis
- ▶ Administration seeks Council approval to purchase capacity at a not-to-exceed price of \$3.75/kW-mo.

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