

Has the city held up to their responsibility of doing regular scheduled maintenance at the Power Plant?

www.saveyourpowerplant.com **Response:** *The city has approved most requests for maintenance and upgrades at your power plant. However, major overhauls have been delayed by at least 3 years because funds were not approved when requested.*

City of Escanaba Comment on Response: The City has approved every maintenance item requested by the plant operator with the exception of a bathroom upgrade in the 2008/2009 budget. Major overhauls were previously performed on a 7 year schedule. The time between major overhauls has been extended to 10 years as the plant operator felt that we were not taking any additional risks by postponing the major overhaul. It must be noted that the plant operator never requested funds for a major overhaul until the 2008/2009 budget, when the major overhaul for unit #2 was approved.

If another company can come in and save us 20% right from the get go, how come the city has been charging us so much?

www.saveyourpowerplant.com **Response:** *The city sets electric rates each year based on costs. Coal prices have a big impact on rates as it is the largest portion of electric generation costs. Coal prices increased considerably in the last 2 years but are currently down from the last year or so. Other factors in city rates include plant operation and upkeep, distribution costs, electric fund transfers to the general fund, and city administration charges to the electric fund.*

City of Escanaba Comment on Response: The City budgets for expected expenses for the next fiscal year, and then sets rates accordingly so that revenues match expenses. With coal costs rising dramatically the past 2 years, our costs have gone up. The City would have needed to raise rates 13% last year to break even, but a decision was made to supplement the revenues by taking \$1.7M out of the Electric Fund. With this year's increased cost of coal, a 20% rate increase is needed. If our power supply costs go down in the future, rates will be adjusted accordingly.

Can someone please explain to us why UPPCO is carrying the insurance on the power plant and why the city is not? We were all lead to believe UPPCO was the bad apple but now truths are coming forward and we are to understand the city was negligent in doing maintenance and were dropped from the insurance. UPPCO picked up the insurance.. this is correct, right ? and if so, then what has been published about UPPCO being the bad guy is very wrong! we want to hear the truth. the whole truth. Please? Also, why was none of this published in the paper??

www.saveyourpowerplant.com Response: *The operating agreement has an option for the operator or the city to carry insurance on your power plant. For many years the operator carried the insurance. That carrier informed the operator it could no longer insure the plant because major overhauls had not been performed in the 5-7 year time frame required by industry standards. Unit #2 at your power plant is currently going through a major overhaul, the first in ten years. Unit #1 major overhaul is in the budget request for the upcoming budget year. If approved for this time next year it will be ten years since the last major overhaul.*

City of Escanaba Comment on Response: The City has its own insurance policy on the power plant. From the very beginning, UPPCo was required - by contract - to procure property and general liability insurance on the City's behalf, the cost of which was reimbursed by the City. UPPCo complied with their responsibility by procuring "stand alone" insurance coverage for the City's plant. In the 2002 Operating Agreement (which is in effect today) the language was changed which required the City to procure the insurance directly. However, if for *any* reason the City could not secure insurance, UPPCo would provide the insurance. From 2002 until 2007, the City stayed on the UPPCo insurance, mainly due to costs. Based on a variety of events, the City chose, in 2007, to procure property and general liability insurance on its own. The events which triggered this change included increasing UPPCo premiums, concern with the large deductible and the availability of reasonable priced commercial coverage. There were never any indications from UPPCo that their desire for the change was based on maintenance issues.

I was wondering with the down turn in the economy doesn't that create a lower cost for power as they try and dispose of excess? When things start picking up again the price goes right back up ? Take a look at industry with all the plants down (steel,auto,paper) doesn't this make for cheap power on the grid?

www.saveyourpowerplant.com Response: *Good question. The price for power on the grid is mainly affected by the cost of the fuel to produce the power, the delivery charges on ATC's line, congestion charges, and demand charges. At times, the power on the grid can be cheaper, but as soon as the demand goes up, so does the price. We see that now with the weather being fair. As soon as it warms up and the usage goes up, so does the price.*

City of Escanaba Comment on Response: The rules of supply and demand only apply somewhat to power costs. On a system-wide basis, in the real time or day ahead market, the Midwest Independent System Operator dispatches plants based on cost. The lowest cost plants are dispatched first, with the next cheapest plants being dispatched next, etc. As more plants are needed to meet demand, the costs go up as the more expensive plants are dispatched. All plants sell their power at the same price as the most expensive generator on the system at that time. The offers the City has received do not have a strong correlation to the system-wide real time or day ahead market. The offers received are based on the true costs of what these utilities can generate power for. There will be small variations in our costs due to what generation is used to meet load, but it will not have the same magnitude of price swings that the system has. The lower cost power we were able to enjoy in March is partially a seasonal phenomenon. Spring and fall typically see lower prices as the demand is lower.

These proposals were received in December and are forecasted out for 10 years.

On an individual plant basis, costs decrease as the plant nears rated capacity. Power plants are more efficient at or near full load, which lowers costs. The fixed costs – labor, permits, insurance, maintenance costs, etc – are spread out over more kWhs also, which also contributes to lower generation costs.

I was wondering if the women's league of voter's on 30 april. Are they having a forum between the yes and no committees on the power plant issue.

www.saveyourpowerplant.com Response: *The forum that was sponsored by the league of women voters, for April 30, has been canceled. The "yes" committee would not agree to the terms of the debate and felt that they were at a disadvantage. Please don't forget to vote.*

City of Escanaba Comment on Response: The Chamber conducted the Forum on April 30, 2009.

As a member of the Escanaba City Council I met with plant employees to discuss my reasons in favoring the sale of the plant (e.g., save jobs, control local costs). I encourage anyone to contact me if they have any questions on my intent. Those who know me know the concern I have for every job in our area. The plant has been well run by some good employees. I see retention of their jobs as a top priority. Despite our opposing views, the employees of the Escanaba Power Plant have treated me well in this debate. Thank you. I will do my best to control cost and maintain each job that I can.

www.saveyourpowerplant.com Response: *There is no question here, so no answer is needed. Just an observation. How does City Council control costs if the plant is sold and power is purchased from an outside source? The owner of the plant sets rates for energy from the plant and the out side source sets rates through the Public Service Commision for energy imported to the city.*

City of Escanaba Comment on Response: One possible way to control costs is to sign a multiyear deal with firm prices, which is one of the offers before the City at this time. The other offers include a formula based rate that is approved by the Federal Energy Regulatory Commission. These rates are forecasted to go up at 3-4% annually. The City's rates have increased much more dramatically over the past few years.

Will there be any legal recourse against the city adminstration for going against a city charter that is in place so this type of thing does not happen? They must have to be accountable to a higher source when breaking the rules?? no??

www.saveyourpowerplant.com Response: *The Save Your Power Plant committee has not come to terms on the possibility of legal action. We do not feel that the ballot language follows the intent of the City Charter.*

City of Escanaba Comment on Response: The City Administration must be held accountable for all we do as must the City Council.

My question is why is everyone comparing electric rates with WE energys when the paper stated that DTE Energy or Traxys were the two companies interested in buying the power plant?

www.saveyourpowerplant.com Response: *The Save Your Power Plant committee has posted rate comparisons provided by the City of Escanaba Electric Department and Electric Advisory Committee. The purchase proposal submitted by party 2 (DTE Energy Services?) stated they were still looking for a buyer for the energy produced at your power plant if they bought it and converted it to biomass. No electric rate was stated. The purchase proposal submitted by party 3 (Traxys?) states that they require; 1) major maintenance schedule to continue, 2) tax free zoning, 3) sale of energy to the City of Escanaba for all requirements, if they bought and converted your power plant to biomass. Party 2 in the wholesale all requirements proposal (Traxys?) was the only party that offered a fixed price for power, the other three had "formula" based rates. The 'conclusions to date' portion of PSE's presentation on 2-4-2009 concerning the fixed price proposal says "No delivery cost uncertainty, no carbon risk, -too good of a deal?" This information is available from the PSE report dated 2-4-2009.*

City of Escanaba Comment on Response: WE Energies is 1 of the parties that has submitted an offer to the City to supply us with all requirements energy. The other 3 are Wisconsin Public Service, Minnesota Power, and Traxys. The rate comparisons put out by the Escanaba Electric Department include cities that are served by Wisconsin Public Service, WE Energies, Edison Soo Electric, UPPCo, Marquette Board of Light and Power, WPPI Energy, etc. These cities were picked to show a variety of costs associated with the various suppliers.

I was looking at the city's web site and saw their "North Shore Master Plan" kind of funny how the power plant would bump right up next to all their fancy ideas and what a eye sore that would be for those fancy folks staying in the condos that the city wants to put up. Is the power plant property where they are going to put the new tennis courts?

www.saveyourpowerplant.com Response: *We were wondering the same thing, Josh. Thanks for the input. The people need to keep educating themselves, asking questions, and getting involved. An educated community that isn't afraid to ask questions is a powerful community. keep up the fight and don't forget to vote.*

City of Escanaba Comment on Response: The current zoning district (Heavy Manf.) in which the Plant is located will not allow condo's or tennis courts. If you look at the Community Master Plan, which was adopted in 2006, you will see that the future zoning designation for the area is for industrial uses which would not allow for condo's. Please refer to Page 100 in the Community Master Plan. The best use of that land has been determined to be industrial. The

property is located between a coal storage facility and ore shipping operation. Condo's would not be conducive to either that environment. A power plant is considered industrial.

If the yes vote goes though, where will we be getting our power from in two years?

www.saveyourpowerplant.com Response: *That is a very good question, unfortunately, we don't know. The City Council claims that if the yes vote goes through, they will not sell, lease or dispose of the power plant the next day. It all depends on what the City Council's real intentions are. They are the only ones who know. Please don't forget to vote.*

City of Escanaba Comment on Response: If the yes vote goes through, the City will research all available options to find the best solution for the City. That may be purchasing power from an outside supplier.

In response to the posting statement "all the costs studies by PSE were done with the Escanaba Generating Station on line" This is true. It is true because the proposed transaction is for Escanaba to find a buyer of the plant that is committed to investing millions of dollars into the facility to burn biomass, and maintain its operation. All future cases assume continued operation of the plant. Although nobody can guarantee future operation, the assumption is that if a party is willing to purchase the plant, and then invest in its operation, it would be less likely that they would stop operating the plant. The party buying the plant would have the advantage of being able to receive the tax credits.

Current prices are very low, and having the plant offline at this time is saving on electricity costs and does not drive up prices as it has in other market conditions. The proposed arrangement that is being considered is to find a new owner of the plant that can take most advantage of the tax credits, and purchase energy from a company that can provide the lowest and most stable price. Parties have responded to these requests, and a "yes" vote will allow a more detailed discussion with prospective parties to see if the transactions make sense. If both of these deals don't continue to make sense, or if negotiations break down for any other reason, the city will continue to own the plant.

The current employees of the plant work for UPPCO who has the agreement with the city to operate the plant. If this agreement is not continued, and there are indications that the proposed terms from UPPCO are not showing a reasonable level of taking responsibility for plant operations, the current employees would have to change employment to the new operating company if

they wanted to continue in their role as plant employee.

I bring up these other points because I don't feel that it is responsible to use the term "lose jobs" when discussing the concept of selling the plant. There is a possibility as described that would result in current plant employees having to be employed by a new company that don't involve the sale of the plant, and again, the intent of the proposed transaction is to continue the operation of the plant.

www.saveyourpowerplant.com Response: *The question on the May 5th ballot is not limited to a sale/lease of the Escanaba Generating Station. It also asks for the disposal of the plant. If all the future cases assume continued operation of the plant, the only question on the ballot should be to sell or lease. Dispose still means close.*

City of Escanaba Comment on Response: As was explained by City Attorney Ralph Peterson, dispose means to transfer ownership of an asset to someone else.

I want to clarify the statement that was included in a recent presentation where the slide said that "Thomas Butz pointed out that the models used to run the projections and analysis are very complex and time consuming and he's not sure that the accuracy of the model is enough to give you a good picture." This comment was made regarding the ability to project an hourly Locational Marginal Price (LMP). Cost projections and comparisons of Escanaba purchasing power from an outside entity involve a number of assumptions, but are not nearly as uncertain as an hourly LMP projection.

www.saveyourpowerplant.com Response: *Hourly LMP costs are an average based on that hours energy costs which changes every 5 minutes. All the costs studied by PSE were done with the Escanaba Generating Station on line, producing energy. This has a huge impact on LMP prices. The question posed to PSE was, " What would the costs be without energy being produced at the Escanaba Generating Station."*

City of Escanaba Comment on Response: It is difficult to evaluate a situation that didn't exist. If the plant is sold to another entity which would continue to operate the plant, the projections used by PSE are valid as there would not be significant changes to the LMPs.

Web Question/Statement: Today was the first yes vote sign I saw and I am wondering, exactly what jobs would be saved if the people vote yes? It seems to me people will be losing jobs if that vote goes through. Those yes signs are very misleading.

www.saveyourpowerplant.com Response: *The Save Your Power Plant committee has no idea what jobs would be saved. There will be 28 jobs lost if your power plant is closed.*

City of Escanaba Comment on Response: The proposals being considered are for parties planning on continuing operation and employment at the plant. The belief is lower electrical rates would help retain existing jobs city-wide and provide a better opportunity of new jobs in the community.

Web Question/Statement (Scott): Has anyone contacted Marquette to find out what it cost to convert their boiler to biomass?

www.saveyourpowerplant.com **Response:** *The Save Your Power Plant committee has not contacted anyone from the City of Marquette. The City of Escanaba administration, Electric Department office and Electric Advisory Committee has not stated if they have or have not.*

City of Escanaba Comment on Response: City Administration has contacted the Marquette Board of Light and Power. To date, no conversions to their boilers have been made, nor have they made changes in their plant design. They are planning on burning bio-cubes; if the City of Escanaba used bio-cubes as a fuel, it would only increase our fuel costs more.

Web Question/Statement (Ij): Has anybody looked into the clean coal aspect as stated by president Obama? past news articles state there is enough coal in the U.S. to power this nation for the next 100 years. bad time to get rid of our power plant if you ask me! you get my NO vote.

www.saveyourpowerplant.com **Response:** *We also agree, Ij. It is a bad time to get rid of Your plant. Some of the numbers that we have read about are that there is 200 years worth of coal under American soil. The coal is available, staffing is available, Your plant is available, the simple fact is, it is cheaper to make your own power than to buy it from someone else and pay for it to get here.*

City of Escanaba Comment on Response: The Escanaba plant was built in 1958, and although the plant has been responsibly updated to modern digital control systems for boiler operation, the Escanaba boilers have an efficiency disadvantage in that it uses roughly 40% more fuel than the average coal plant in service today. A benchmark comparison was provided at the April EAC meeting on steam pressure of various plants and the corresponding efficiency. Steam pressure is a design parameter that does not change without completely rebuilding the plant and the turbine. Clean coal technology is a concept that applies to a number of changes from the conventional design, and is not normally applied to an existing unit. It is much less likely to be applied to a unit such as Escanaba with a lower efficiency.

Web Question/Statement (Tom H): If I am not mistaken, Marquette converted their plant and still operates it and has one of the cheapest rates around the U.P. Question: Can the employees at the power plant operate or learn to operate the plant if it is converted ?

www.saveyourpowerplant.com **Response:** *The city of Marquette has the ability to burn biomass in one of their boilers. They have arranged to purchase biomass briquettes from a new company located at the former air base near Marquette. The employees at your power plant are highly skilled and would have no problems operating your plant if it were converted to biomass fuel.*

City of Escanaba Comment on Response: The Marquette plant did not need to be converted. There is no question that the current employees are qualified to operate a biomass plant. Voting “Yes” in the referendum allows the city to move into more detailed discussions and analysis to determine if an entity is committed to operate the plant. All plant purchase proposals that have been submitted are calling for the new owner to invest in the plant converting, the plant to burning biomass, and to operate the plant. There is a strong emphasis with all prospective buyers to employ current operators, who are qualified to operate a biomass fueled power plant.

Web Question/Statement (Dan Watkins): How dose our current electric rate compare with other "grid" rates? Don't we have more reliability having our own power plant vs. being on the grid with all the threat of sabotage in the news lately?

www.saveyourpowerplant.com **Response:** *Compared to most of the U.P., Escanaba has one of the cheapest electrical rates, primarily because of Your Power Plant. Electricity that has to be "piped" in is subject to delivery charges by ATC (just for using their transmission lines), congestion charges (if that power is even available) and unforeseen fuel recovery cost that may be implemented by the energy supplier. The City of Escanaba has a tremendous reliability compared to other communities on "the grid" in our area. There have been times when many communities have been without power except for those who have their own power plants in their own back yard.*

City of Escanaba Comment on Response: Escanaba is facing a 20% rate increase due to increasing fuel costs and increases in capital costs to maintain the facility. Costs of other areas that are supplied by UPPCO directly are not a viable comparison to what Escanaba will be paying in the future. UPPCO is the highest power cost of all alternatives and was not offered in the most recent RFP. WPS is a provider that has been consistently lower in costs than UPPCO. The cost comparison of the Escanaba self-generation case, to the purchase case is showing annual savings of \$3 million dollars from two of the parties. One of these proposals is a fixed price proposal for 10 years with no risk of costs changing in the first ten years. This is probably the most misunderstood concept on the discussion about cost comparisons

Web Question/Statement (Scott): According to the EAC reports if the city converted the power plant to biomass, the cost of power would be 20 to 30% higher than it is now, and that doesn't include the \$25 million dollar investment it would take to convert to biomass, that was mentioned at the last EAC by TRAXIS!! Not to mention the city and UPPCO have NO experience

operating a biomass facility!! So I really don't understand why you guys keep pushing this point?

www.saveyourpowerplant.com **Response:** *The conversion of Your Power Plant to biomass started at approximately \$5 million dollars at one time, and then when compared to a natural gas fired facility, the price jumped to \$25 - 30 million dollars. Your Plant and a natural gas fired boiler are two completely different entities. They may both produce the same amount of power, but the way that they are fueled, is totally different. The cost of power at any facility is still based, primarily, on fuel cost...plus transmission line charges, if the power source is not here.*

City of Escanaba Comment on Response: Even if you have zero capital dollars invested for conversion to biomass, which isn't realistic, the cost of generating electricity at the Escanaba Plant would still be more expensive than all the rates quoted in the 4 offers to purchase power. Transmission charges are expected to be changed to a network transmission cost, that is driven by the amount of load, not how much is being used at the time of the peak. Depending on the arrangements on the purchase power, there may be a risk of MISO Marginal Loss and Congestion costs when purchasing power.

Web Question/Statement. Confused but leaning towards a no vote: From reading the Daily Press today I got the impression the city is shifting gears a little. If another company wants to purchase the Power Plant and convert it, why can't we just keep the Power Plant and convert it ourselves? Is there some advantage to selling the Power Plant over keeping it and converting it ourselves? Can you please clarify?

www.saveyourpowerplant.com **Response:** *We believe the city keeping and converting your power plant is a very good option. It gives the City of Escanaba the opportunity to become a "green" city at a time of increasing awareness and action concerning greenhouse gas emissions. A private, for-profit company would be eligible for federal renewable energy production tax credits. The city does not pay taxes; therefore they would not qualify for tax credits. City ownership of a biomass facility would also eliminate energy produced at that facility from pending carbon emission taxes.*

City of Escanaba Comment on Response: A recent legal opinion from Miller Canfield of Detroit, Michigan states that the City of Escanaba does not have the authority under existing Michigan law to operate its Electric Power Plant solely for the purpose of supplying non-City wholesale or retail customers with electricity. The opinion further goes on to say that Tax-paying Entities such as a Private Entity may take advantage of any number of federal incentives that are not available to the City of Escanaba. For example, the Private Entity, as a taxpayer-owner of the Power Plant, may take various credits against income tax liability. The Private Entity may be eligible to receive tax credits (adjusted to inflation) for each kilowatt hour of electricity produced from renewable energy sources at the Power Plant. The Private Entity may also be eligible to take an investment tax credit equal to 10% to 30% of certain costs of retrofitting the Power Plant for renewable energy production. These credits may be valuable to the Private Entity even if the Private Entity does not generate taxable income. Other benefits that the Private Entity could take advantage of is to elect to take a direct federal grant in lieu of

taking the production or investment tax credits that have been referenced. In addition, the Private Entity may also take advantage of favorable “bonus depreciation” rules which would allow a depreciation deduction of 50% of the adjusted basis of certain Power Plant property in the first year the biomass retrofitted Power Plant is placed into service through 2010. Finally, the Private Entity might also be eligible for federal loan guarantees through the Department of Energy to finance the retrofitting of the Power Plant for renewable energy production. A federal loan guarantee would reduce the Private Entity’s borrowing costs substantially (if the loan can be obtained).

Web Question/Statement (Josh): I was wondering who’s paying for this power plant election? I hope it’s not the electric fund too!

www.saveyourpowerplant.com **Response:** *We have not heard of any costs for the power plant issue to be on the election ballot and if there are costs where the funds are coming from. If we can find out the info we will post it.*

City of Escanaba Comment on Response: The costs associated with the election are funded through the General Fund (Clerk’s Office).

Web Question/Statement (Mary): Without being bias, could you please tell me how much is in the city's electric fund and if the plant were to be sold or disposed of, what will happen to that money? Isn't that really the tax payer's money? Does there have to be a vote on What to do with that Money? Thanks for the time..

www.saveyourpowerplant.com **Response:** *The City Manager Letter on the 2009/2010 budget states the cash reserve in the Electric Fund is \$16.5 million. The Electric Fund is a Proprietary Fund which covers all electric utilities (power plant, electric dept. building, distribution system, substations, etc.). Therefore the fund would have to be maintained regardless of your power plants future. The city has always transferred money from the Electric Fund to the General Fund to help balance the city budget. All city monies could be considered tax payers money. The City Council has public hearings each year for citizen input on how the city should utilize its financial resources (annual budget hearings). After the public hearings the City Council must vote to approve a budget.*

City of Escanaba Comment on Response: There is approximately \$16.5 million in the fund. Funds are needed to upgrade the electrical distribution system on an on-going basis. Funds will also be needed to be held in reserve for emergencies should something go wrong. Any remaining funds could be reserved to further stabilize and/or off set electrical rates, such as was done in the 1960’s when the City sold their Natural Gas Utility. As it relates to the “Gas Utility”, only the interest can be spent (and only for capital improvements), not the principal.

Web Question/Statement (Scott Skogman): I read in today's Daily Press that the city is planning a 20% increase for electrical service. Is this increase

actually necessary or just an attempt to scare the vote toward permitting the sale of the plant?

www.saveyourpowerplant.com **Response:** *Due to high coal prices, last year the city should have raised rates 13% but chose to subsidize rates with Electric Fund money. Coal prices were up again during the coal bid process this year and that increase needs to be paid. The city could subsidize rates again as the budget is not yet approved. Currently coal prices are down somewhat. Biomass feedstock is down considerably.*

City of Escanaba Comment on Response: The option to purchase coal at the current market price is not available to the City of Escanaba due to contractual obligations. Currently, Escanaba is paying \$95 to \$105/ton delivered for the coal needed in the Plant. In a recent discussion with a biomass producer, prices are not going down.

Web Question/Statement (Josh): **Is it true, that if we sell our power plant, we would be on the end of the transmission line and could be the first one off and the last one on in time of an outage or even a brownout**

www.saveyourpowerplant.com **Response:** *There are two transmission lines from the Delta substation to the city of Escanaba substations. Delta sub is fed with two transmission lines from the Chandler sub. Chandler sub is fed from the Perkins sub with two larger transmission lines. And finally Perkins sub is fed with one larger transmission line from the Arnold sub. So, yes the city is at the end of the transmission line. Also note that the two lines connected to the city are not capable of handling city load independently, one is rated for 16 megawatts max. The other is rated for 20 megawatts max.*

City of Escanaba Comment on Response: Being “at the end” of the transmission line is not an accurate description of the delivery system configuration. There are two lines coming into Escanaba, and as mentioned these lines are being fed from higher voltages lines. Once the city moves ahead with purchasing network transmission service from the American Transmission Company, a study will be conducted where they will determine what transmission is needed to reliably serve Escanaba. Currently, Escanaba is under the radar of declaring that load must be served, and is actually more vulnerable to outages because the transmission provider is not obligated to provide reliable service without network transmission service. Assessing transmission reliability is an extremely complicated concept to describe, and cannot be accomplished in a few paragraphs.

Web Question/Statement (Ben): **besides cost and jobs are there any other reasons why we should keep our power plant?**

www.saveyourpowerplant.com **Response:** *The retention of your power plant means the city does not have to rely on the transmission system for its electric needs.*

City of Escanaba Comment on Response: If the plant continues to be owned by the city, it doesn't mean that the transmission service does not need to be relied upon. Right now, ATC is not obligated to keep up with building transmission to make sure there is enough capacity when

the plant is out of service. All plants have both forced and planned outages, and the transmission system needs to be strong enough to serve the city load when the plant is not available. Additionally, the City has 2 offers to buy the plant which call for the necessary improvements to convert the plant to biomass and continue it as a power plant.

Web Question/Statement. Stick to the subject matter please!: Can we please stick with the "real" issue that this vote comes down to? The city wants to take away our right to have a say in what happens to the power plant. Our fore-fathers thought it was important for ALL the residents of Escanaba to have a say in the future of our power plant, our currently city council believes we should not have a say anymore and if we vote yes, we will lose that right and a lot more! Don't sit back and let them continue to make negative decisions without you having a say too!

www.saveyourpowerplant.com Response: *Thank you for trying to keep things on track about the real issues. Common sense is sometimes not so common.*

City of Escanaba Comment on Response: A "yes" vote is not a commitment to sell the plant. It simply opens up the opportunity to further negotiate alternatives to determine if the savings are adequate to move forward, and to make sure that a new plant owner maintains their commitment to the proposed plans (all are proposing to invest substantial dollars to convert the plant to biomass and continue to operate the plant). A "no" vote closes the option to change the plant ownership and is much more limited in terms of allowing the city to lower its power costs with a purchase power contract.

Web Question/Statement (bjohnson): How does your reliability rate compare to other Utilities that supply power to the U.P?

www.saveyourpowerplant.com Response: *The overall average reliability rate for your power plant for the last eleven years is: Unit #1 91.4%, Unit #2 94.6%. Average reliability less annual maintenance is: Unit #1 96.8% Unit #2 99.3%. Unit #1 less 2007 lighting strike and less annual maintenance 99.2%. Seven other facilities in our transmission system were polled for their reliabilities, without annual scheduled maintenance. Their overall reliability for the last three years is 82.0%, 91.3%, 84.5%, 93.5%, 92.4%, 87.5% and 64.0%. Please note we could only find 3 years of data for the comparison. It should also be noted that the facility with the lowest reliability, (64.0%), has only been commercially available for 8 months, but is of the most efficient design currently available. The age of these facilities is 1954-2008.*

City of Escanaba Comment on Response: Reliability is much more meaningful at the customer level, and is driven by reliability of the distribution system, the transmission system, and the steam generator. If the transmission system is down, generation provides a backup, but history has not shown a convincing "story" that the generation has improved reliability. Normally the transmission system has been there when the plant is down, and citizens don't even see a blink. The other point to emphasize is that selling the plant does not mean shutting the

plant down. All prospective proposals include an investment in the plant and a commitment to continue to run the plant.

Web Question/Statement (Upset City Resident): If the city really wants to sell this Power Plant, why didn't they just ask us to vote on that? We really still don't have a say what they will do with it right? I would rather SELL it than DISPOSE of it!!

www.saveyourpowerplant.com Response: *We feel this is three separate issues and should have been put to the voters as three separate ballots.*

City of Escanaba Comment on Response: The vote allows the opportunity to sell the plant, but doesn't force the issue of finding a buyer. If there is not an acceptable offer for selling the plant AND an attractive offer of purchasing power from an outside company, the deal is off. Any deal, if one is to be struck, must be in the best interest of the community. The word "dispose" has the same definition as provided by the Webster Dictionary. It provides a definition "to transfer to the control of another", "to deal with conclusively". In the opinion of the City Attorney, the definition would include the sale of assets, the removal of assets, the exchange of assets, and the alienation of assets. Alienation means a conveyance of property to another.

Web Question/Statement (Bob H): Not really a question but just wanted to say I found a lot of info on your site and this site has been done nicely. I hope all that vote on this issue will get all the facts before they vote and this site has really made me understand a lot of the issues. Thank you.

www.saveyourpowerplant.com Response: *Thank you for the support. Please check back as we have more information added as we receive it.*

City of Escanaba Comment on Response: Important facts include cost comparisons of options, the commitment of prospective parties to continue operation of the plant, and the commitment of prospective parties to utilize existing staff for plant operations. There are significant changes that could come in the management of the plant operations, even with the continued ownership by the City of Escanaba. The plant operating agreement is being negotiated and does not preclude the city from seeking another management company to operate the plant.

Web Question/Statement (Jennifer): Does the "Save Your Power Plant Committee" have any kind of informational meetings of which we the citizens of Escanaba can contribute and or become involved in? As this is a very important decision being put before us concerning the city's future power needs.

www.saveyourpowerplant.com Response: *Yes, the Save Your Power Plant Committee meets every Tuesday on the second floor of the Willow Creek Professional Building. We meet at 7:00 p.m. and the public is encouraged to attend. We welcome public involvement.*

City of Escanaba Comment on Response: Using the term “save” implies that voting yes would mean losing the plant. The only change in the plant is the ownership, and resulting management of the plant. Even with the current ownership of the plant continuing to be the city, the management of the plant could be changed by terminating the current operating agreement. The City is responsible to make sure the agreement provides the most cost-effective approach to operating the plant, and that the operator is accepting reasonable levels of risk in the plant operation that are due to actions within their control.

Web Question/Statement (Gary Daniels): I wanted to add something that came to mind in addition to my previous comments.

What is the future of the power plant under the current operating agreement. When the City solicited proposals to operate, nobody came forward and volunteered to operate with the exception of one party. A condition of operating the plant included the sale of the plant to that party. What are the chances of keeping the plant running if UPPCO terminates the current agreement?

There appears to be no certain future to keep the plant running. If the City took over operation, what would the wage structure look like? Would the City keep the current benefits?

I think these additional comments need to be thought out as well.

It seems that the City wants to keep the current jobs and would consider this in the sale of the plant.

www.saveyourpowerplant.com **Response:** *The current operating agreement is in affect until June 2011.*

City of Escanaba Comment on Response: If both parties agreed to an earlier termination, it could be earlier than June 2011.

www.saveyourpowerplant.com **Response:** *The future of your power plant is in the hands of the public because the public owns it, not the EAC or the city council.*

City of Escanaba Comment on Response: If the management of the plant changes, it would have as significant of an impact as the sale of the plant in terms of defining who the plant employees will be working for. This change can happen without a vote.

www.saveyourpowerplant.com **Response:** *It is no surprise there is limited interest by outside parties to run the Escanaba Generating Station after years of misinformation and questions of its value by city officials and the EAC.*

City of Escanaba Comment on Response: There are viable proposals of entities interested in purchasing, converting to biomass, and continuing to operate the plant.

www.saveyourpowerplant.com **Response:** *If the city decided to operate the power plant on their own, any wages, benefits, etc would be reached through the collective bargaining process. Once again after a sale takes place the seller gives up any say in the use of the sold facility.*

City of Escanaba Comment on Response: Investment in biomass conversion provides that operation will continue, as it is unlikely that the plant would be idled after making the significant conversion investment.

Web Question/Statement. A no vote is the right vote: This issue at hand is not so much closing or selling the power plant. The more important issue at stake is that the city wants to take away the rights of the people of Escanaba to have a say in the future of the power plant. Don't give up your right to have a say. Vote No!

www.saveyourpowerplant.com **Response:** *Again, Thank you for your support.*

City of Escanaba Comment on Response: The Vote “no” takes away the opportunity to pursue lower cost purchase power alternatives while maintaining the plant operation with a different owner. The May 5 vote does not automatically require the sale of the Plant or the acceptance of a power purchase proposal. An affirmative vote simply gives the City the ability to further discussions (confirm that the firms can do what they say for the price they said) with the firms that have made offers to deal. An affirmative vote will provide a reasonable commitment to the firms that the City will seriously review and consider their formal offer. Under no circumstance will an offer that is not in the best interest of the people be agreed to.

Web Question/Statement (Ned): Isn't it true that if we keep the power plant that the cost will continue to rise, with the cost of our specific coal? And won't they raise even further, like you said about carbon taxes or cap and trade system, it looks like our cost will go through the roof if we keep operating this plant!!

www.saveyourpowerplant.com **Response:** *As coal prices change all utilities that use coal for electric generation will see the effects of those prices. They will also see the influence of a carbon tax/cap. We believe your power plant should be converted to biomass which is carbon neutral so is not affected by a carbon tax/cap. The Electric Advisory Committee has said energy from your power plant using biomass would be comparable to today's cost if unsubsidized.*

City of Escanaba Comment on Response: Biomass conversion would lead to higher costs than what are available through the four (4) wholesale purchase offers. The efficiency of the Escanaba plant is lower than the fleet efficiencies of the purchase power proposals, and results in a much higher CO2 emission rate per MWh than the other alternatives. This means that the future carbon costs of the existing plant using coal are 40% higher than the other alternatives.

Web Question/Statement Vote “No” don’t let the city take away your voice!: I wonder how the city council seriously believes we will have cheaper electrical rates than anyone else in the world. Just because some outside company comes in and promises a lower rate does not mean they can’t turn around and raise the rates once the year runs out. This is exactly what WILL happen if we vote yes and give up our right to have a say in our future electric needs. I agree with a previous comment on here, once that electrical fund runs low, WHO do YOU think will replenish it? PLEASE VOTE "NO" !

www.saveyourpowerplant.com **Response:** *Thank you for the support and the positive feedback. Remember to vote on May 5th.*

City of Escanaba Comment on Response: Three of the purchase power proposals are based on a formula based approach where the actual costs of that utility are documented through the Federal Energy Regulatory Commission. The costs are used to establish the electric costs for Escanaba. This method is established, and is based on the actual costs of the utility, not on a proposed price that could change at the whim of a marketing person from the company. The fourth purchase power proposal has a 10 year fixed rate.

Web Question/Statement (Gary Daniels): Why is this website even in existence? Has the City said the plant would be sold and jobs would be lost? The answer is NO!!

Several proposals have been received by the City of Escanaba requesting a purchase of the power plant. I am aware of at least one of the proposals that would keep the existing plant running and keep EVERYBODY employed.

The City also has received the proposals for power to be supplied by outside parties. The proposals revealed significant savings to the City of Escanaba residents.

www.saveyourpowerplant.com **Response:** *This website exists for the open exchange of information and debate by concerned citizens. The ballot language on this issue is part of the issue. The city has asked for three different options in one vote. City Council has only said what may happen and one of those options is the disposal of the plant. None of the proposals give any specifics on job loss or retention. Potential savings for the short term may well be offset by the long term cost. As has happened to Gladstone residents after their power plant closed.*

City of Escanaba Comment on Response: One very important consideration is that a party continues to operate the plant and has the willingness to hire existing plant employees. Both parties have expressed a willingness and desire to do both.

Web Question/Statement (John K): I am not originally from here but have lived here for 18 years and I think I could count on one hand the times I have been out of power for more than a Minute, where I used to live the power was always out anytime there would be lighting strike. That's why I say we upgrade this power plant, **KEEP THE RELIABILITY, KEEP THE JOBS, CREATE NEW SKILLED LABOR JOBS!!**

Regardless of what has been said in the press, YOU PEOPLE HAVE DONE A GREAT JOB RUNNING THAT PLANT FOR 50 YEARS, KEEP UP THE GOOD WORK.....

www.saveyourpowerplant.com **Response:** *Thank you for your comments. It's good to hear the public speaking up. Hopefully more people will realize that having your power plant in your back yard is a good thing.*

City of Escanaba Comment on Response: UPPCO employees have done a good job in operating the plant. However, the technology at the plant is 50 years old and inherently inefficient. Reliability of the system will not change, as the plant is expected to continue to be run, and the transmission system will be upgraded as needed to make sure that there is enough capacity to supply the needs of the city.

Web Question/Statement (Irritated Citizen!): I am a little tired of how things are being slanted in the press. I have yet to see a letter of support or anything positive published about the Power Company. So I hope you allow people to use this forum for comments as well as ask questions. I would be in support of using the electrical fund and seeing the power plant upgraded to a more fuel efficient plant. (this is possible right?) I would like to see people out there keep their jobs in a time when so many of us are out of work already. I am not so naive to believe the city won't pass the bill to the residents to make up for the electrical fund when it is no longer available for use. I am not happy that I and many other citizens of Escanaba already voiced our opinion on keeping the plant open and the city turned around and is now trying to stomp out our choice to keep it open and keep the decision on any future choices made by the citizens of Escanaba!

Question: Why does the city refuse to look at upgrading instead of closing, is this power plant not upgradable?

www.saveyourpowerplant.com **Response:** *We agree with your concerns regarding local media reporting and appreciate your support in the past. Hopefully you and concerned citizens like you will continue supporting us now. We are looking at an additional forum for letters and comments on this site and hope to have it available soon. Your power plant is easily upgradable*

and a perfect candidate for upgrading to bio-mass. While not only keeping current jobs, this could be a boost for spin-off jobs in the bio-mass production market. The city feels buying power from a for-profit company and selling, leasing or disposing of your power plant would be a better long term solution for the city.

City of Escanaba Comment on Response: Options of changing the plant to burn western coal or burn biomass have been considered, and both involve capital costs in the range of \$20 to \$25 million dollars. Even if you have zero capital dollars invested for conversion to biomass, which isn't realistic, the cost of generating electricity at the Escanaba Plant would still be more expensive than all the offers to purchase power because of fuel costs and plant boiler efficiency. The bigger threat to the employees of the plant at this time is the fact that their employer has served the City with a notice of termination with regard to operating the plant should a new contract not be in place by June 2009.

Web Question/Statement (Carol): what jobs will be lost of the city sells the power plant, it will still be there and somebody will have to run it....

www.saveyourpowerplant.com Response: If the city decided to operate the power plant on their own, any wages, benefits, etc would be reached through the collective bargaining process. Once again after a sale takes place the seller gives up any say in the use of the sold facility.

City of Escanaba Comment on Response: All perspective purchasers are proposing to convert the plant to biomass and operate the plant. It is not likely that an entity would invest in a biomass conversion and then not operate the plant.

Web Question/Statement (Sam): If they close or sell the power plant, no more money will be going to the electrical fund. What happens when that money is used up by the city? Do they have to raise our taxes to cover what they are using now out of the electrical fund?

www.saveyourpowerplant.com Response: Because the Electric Fund is a Proprietary Fund it would need to continue as it is now. The Electric Fund is not only for your Power Plant, it also covers the expenses for the Cities Electric Department (power poles, transformers, metering etc.). The money annually transferred from the Electric Fund to the General Fund is attached to the annual Power Plant budget. If your plant is sold or closed this revenue stream would end and would need to be replaced somehow. This could mean higher taxes or increased user fees for city residents.

City of Escanaba Comment on Response: The Electrical Fund is not dependent on having a power plant. The Electric Fund is simply a fund that takes into account the difference of electricity costs, and the rates being charged to electric customers. In past years, when coal costs were much lower, the Electric Fund was increasing in size due to the extremely low costs. Current costs are so high that the fund is being used to cushion the coal price shock, but this cannot continue into the future, as the fund will be exhausted. Alternative considered to generating the power from the plant are expected to result in annual savings in the range of \$3 million dollars. Additionally, Electric Funds will be needed to upgrade the distribution system

(the lines that get power to your house and business), maintain a balance for future improvements of the system and any remaining funds would be used to stabilize and/or offset consumer's power rates further.

Web Question/Statement (John): in the last 50 years of our "city council" has any money been invested to keep our plant updated with the times? or were the profits used to balance the city budget and pay for useless studies?

www.saveyourpowerplant.com Response: *All equipment upgrades to your power plant is paid for from the Electrical Fund. For instance, the new Distributive Boiler Management System (DCS) that was installed in 2002/03. However, for the past several years, approximately \$400,000 per year has been transferred from the Electrical Fund to the General Fund. The General Fund can be used for whatever the Escanaba City Council wants.*

City of Escanaba Comment on Response: The plant is in very good operating condition for its design and age. The City has done a great job in funding the improvements needed to keep the facility in good operating condition (\$10 million over the last 8 years and into next year). The City of Escanaba has always approved UPPCO's funding recommendations for plant improvements (for the exception of a bathroom upgrade).

Web Question/Statement (Mark Whitney): I don't want anybody at the plant to lose their job. My q- is this if it is voted to sell, are the present jobs lost, if not at what cost to people working there will be (pay, health bens, vacations, etc.) thanks.

www.saveyourpowerplant.com Response: *The wording of the current ballot is to sell, lease or dispose of. A yes vote empowers Council to do any of the three options. If your plant is sold, it is unknown how many jobs may be retained or lost. After a sale, the seller has no say in how the sold facility is utilized. Therefore it is impossible to predict what affect it would have on current employee's wages, benefits, etc.*

City of Escanaba Comment on Response: All prospective purchasers state that they will convert the plant to biomass and operate the plant. It is not likely that an entity would invest in a biomass conversion and then not operate the plant.

Web Question/Statement (Mark): My question would be, is there enough money in the electrical fund and with using governmental programs available to convert our existing plan to burn alternative fuels?

www.saveyourpowerplant.com Response: *There is \$1.6 billion dollars available to state and municipal governments in the Federal Stimulus package for bio energy projects. It would be the city's responsibility to pursue Federal stimulus dollars. At last report there was approximately \$19 million in the Electric Fund. The electric fund alone would probably be more than adequate for a conversion of your plant to a bio mass facility.*

City of Escanaba Comment on Response: The current cash balance of the Electric Fund is approximately \$16.5 million dollars. Adequacy of the current funds is uncertain until an actual project is designed. Preliminary estimates indicate that a biomass conversion cost would be in the range of \$20 to \$25 million. Based on the latest information available concerning stimulus funding for electrical upgrades, the City knows of no funds currently available. The Michigan Legislature and Governor have not released those funds as far as the City knows. The only federal stimulus funds that the City is aware of are Department of Energy Efficiency and Conservation Block Grants. A review of the program announcement indicates these funds would not be available for a biomass plant conversion. A total allocation (statewide) under this program for the State of Michigan is just over \$19 million dollars. The City continues to pursue funds on a daily basis should they become available.

Web Question/Statement (Very Concerned Citizen): I have two questions about the power plant and the may 5th vote coming up. If we close our power plant will our electrical rates rise like Gladstone's? Secondly, does the power plant sell electricity to other people?

www.saveyourpowerplant.com **Response:** *If the city enters into a wholesale power agreement, your electric rates could be definitely influenced by congestion charges, energy costs (coal prices), transmission costs (ATC), and Federal regulations (carbon tax and/or credit). When city energy requirements are less than full load at your power plant, any excess is available for sale.*

City of Escanaba Comment on Response: Continuing to self-generate also involves exposure to congestion charges, a very high correlation to coal costs, transmission costs, and carbon costs. Excess energy is offered for sale on a regular basis but is rarely purchased due to the high costs.