

OFFICIAL PROCEEDINGS
CITY COUNCIL
ELECTRICAL ADVISORY COMMITTEE
CITY OF ESCANABA, MICHIGAN
Special Joint Meeting
Wednesday, September 11, 2013

Pursuit to a meeting notice posted September 6, 2013, the meeting was called to order by the Mayor Leo J. Evans at 6:01 p.m. in the Council Chambers of City Hall located at 410 Ludington Street.

Present: Mayor Leo J. Evans, Council Members, Walter A. "Pete" Baker, Ronald J. Beauchamp, and Marc D. Tall (arrived at 6:07 p.m.)

Absent: Council Member Patricia A. Baribeau

Baker moved, Beauchamp seconded, **CARRIED UNANIMOUSLY**, to excuse Council Member Baribeau who was out of the community.

Present: Electrical Advisory Committee (EAC) Members: Jon Anthony, Larry Arkens, and Glendon Brown. **NO QUORUM**

Absent: Electrical Advisory Committee Members: Chairperson Tim Wilson, and Ann Bissell, Two vacancies and Power Plant Liaison.

Also Present: City Manager James V. O'Toole, City Attorney Ralph B.K. Peterson, Electric Superintendent Mike Furmanski, City Controller Mike Dewar, Charles DeTiege of Escanaba Green Energy (EGE), members of the public and media.

Beauchamp moved, Baker seconded, **CARRIED UNANIMOUSLY**, to approve the agenda as submitted.

UNFINISHED BUSINESS – None

CONFLICT OF INTEREST – None

PUBLIC HEARING – None

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:

- Auto Zone and O'Rilley services;
- Pole change outs.

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:

- Combustion Turbine ran for a opacity test. No generation from the plant in August;
- No injuries.

Update – Power Plant Purchase Agreement.

Administration provided an update on the status of Power Plant Purchase Agreement between the City of Escanaba and Escanaba Green Energy, LLC.

- Charles DeTiege of EGE advised terms for their loan was received. They were currently working on resolving questions and clarification of the terms;
- Mr. DeTiege briefly reviewed clarification language they were addressing;
- Mr. DeTiege advised once terms were agreed too, a closing date would be provided.

Discussion – Fiscal Year 2012/2013 Electric Utility Fund Financial Recap.

City Controller Mike Dewar presented an overview of the financial results of the Electric Funds 2012/2013 operations. (See Attachment – A)

- Briefly discussed the SSR Agreement being proposed for the Presque Isle Power Plant in Marquette, Michigan.

Approval – Asset Transfer Agreement - Escanaba #2 Transmission Line.

Administration sought approval to transfer Escanaba's #2 transmission line to the American Transmission Company.

- This was part of the ATC system upgrade;
- Escanaba Distribution System would no longer need to provide maintenance for these lines, but City would have the benefit of having power provided into the City over these lines if required;
- Discussed the value the City was receiving for the sale of the line;
- Asset was considered as part of the plant, not the distribution system.

NB-5 After discussion, Baker moved, Tall seconded, **CARRIED UNANIMOUSLY**, to transfer Escanaba's #2 transmission line to the American Transmission Company for no less than \$100,000.

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

Ayes: Baker, Tall, Beauchamp Evans

Nays: None

MOTION CARRIED.

Approval – Pole Inspection/Treatment.

Electric Superintendent Mike Furmanski briefly reviewed the City replacement program, and after discussion sought Council approval to award the 2013 Electrical Distribution Pole Inspection/Treatment bid to Karcz Utility Services, LLC of Seymour, WI, in an amount not to exceed \$12,000. This purchase was included in the current operating budget.

NB-6 Beauchamp moved, Tall seconded, to approve an award for the 2013 Electrical Distribution Pole Inspection/Treatment bid to Karcz Utility Services, LLC of Seymour, WI, in an amount not to exceed \$12,000.

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

Ayes: Beauchamp, Tall, Baker, Evans

Nays: None

MOTION CARRIED.

Discussion – UPPCO Operating Agreement – Non-Binding Mediation.

Manager O'Toole led a discussion on the possibility of going into non-binding mediation with the Upper Peninsula Power Company (UPPCO) in an attempt to resolve outstanding issues related to the terminated Power Plant Operating Agreement between the City of Escanaba and UPPCO.

City Attorney Peterson briefly reviewed three basic issues, pension costs, workers compensation case during the time UPPCO ran the plant due to UPPCO negligence, and how City paid Administrative costs over the last 50 years. Mr. Peterson also reviewed the difference between Binding and Non-Binding arbitration.

NB-7 After discussion, Beauchamp moved, Baker seconded, to approve Administration to enter into non-binding mediation with the Upper Peninsula Power Company (UPPCO) in an attempt to resolve outstanding issues related to the terminated Power Plant Operating Agreement between the City of Escanaba and UPPCO.

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

Ayes: Beauchamp, Baker, Tall, Evans

Nays: None

MOTION CARRIED.

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 7:23 p.m.

Respectfully submitted,

Robert S. Richards, CMC
City Clerk

Approved:

Leo J. Evans, Mayor

CITY OF ESCANABA
2012-2013 Electric Fund
Comparison to Prior Years and to Budget

| | Actual 2010-11 | Actual 2011-12 | 8/23/13 Unaudited 2012-13 | Budget 2012-13 | Comparison to Budget | Budget Estimate 2012-13 | Comparison of Unaudited to Estimate |
|--|--------------------|--------------------|---------------------------------|--------------------|-------------------------|-------------------------------|---|
| GENERATION OPERATIONS | | | | | | | |
| Interchange Revenues | \$7,099,874 | \$3,886,369 | \$804,464 | \$0 | \$804,464 | \$1,510,000 | (\$705,536) |
| MISO SSR Payments | 0 | 0 | 3,711,525 | 0 | 3,711,525 | 3,521,000 | 190,525 |
| TOTAL GENERATING REVENUES | 7,099,874 | 3,886,369 | 4,515,989 | 0 | 4,515,989 | 5,031,000 | (515,011) |
| O&M (UPPCo / ProEnergy) | 4,496,648 | 3,530,289 | 2,974,310 | 0 | (2,974,310) | 2,850,000 | (124,310) |
| Production Expenses - Other | 362,989 | 302,919 | 235,066 | 0 | (235,066) | 218,000 | (17,066) |
| Steam Fuel | 5,422,201 | 2,730,678 | 684,334 | 0 | (684,334) | 1,000,000 | 315,666 |
| Combustion Turbine Expenses | 490,182 | 360,035 | 144,953 | 0 | (144,953) | 143,000 | (1,953) |
| Plant Management Fees | 47,738 | 274,433 | 350,000 | 0 | (350,000) | 350,000 | 0 |
| UPPCo Prior Years Costs | 0 | 416,423 | 0 | 0 | 0 | 0 | 0 |
| Depreciation Expense-Power Plant | 787,884 | 566,745 | 564,972 | 0 | (564,972) | 600,000 | 35,028 |
| TOTAL GENERATING EXPENSES | 11,607,642 | 8,181,522 | 4,953,635 | 0 | (4,953,635) | 5,161,000 | 207,365 |
| GENERATION OPERATING RESULTS | (4,507,768) | (4,295,153) | (437,646) | \$0 | (437,646) | (130,000) | (307,646) |
| POWER PURCHASES OPERATIONS | | | | | | | |
| Residential Sales | \$3,906,612 | \$4,018,521 | \$3,803,413 | \$4,050,000 | (\$246,587) | \$3,800,000 | \$3,413 |
| Hot Water Sales | 32,179 | 32,838 | 29,685 | 33,000 | (3,315) | 30,000 | (315) |
| Heating Sales | 31,421 | 27,243 | 26,281 | 29,000 | (2,719) | 25,000 | 1,281 |
| Dusk to Dawn Sales | 54,371 | 55,318 | 48,123 | 56,000 | (7,877) | 48,000 | 123 |
| Commercial Sales | 4,407,015 | 4,499,018 | 3,278,804 | 4,625,000 | (1,346,196) | 3,255,000 | 23,804 |
| Industrial Sales | 5,285,249 | 5,466,446 | 4,767,736 | 5,525,000 | (757,264) | 4,700,000 | 67,736 |
| Municipal Sales | 563,583 | 579,429 | 495,502 | 582,000 | (86,498) | 495,000 | 502 |
| Street Lighting Sales | 169,528 | 174,540 | 162,881 | 176,000 | (13,119) | 165,000 | (2,119) |
| TOTAL PURCHASED POWER REVENUES | 14,449,958 | 14,853,353 | 12,612,425 | 15,076,000 | (2,463,575) | 12,518,000 | 94,425 |
| Dispatching Fees | 72,900 | 85,871 | 60,312 | 89,562 | 29,250 | 60,300 | (12) |
| MISO Purchased Power | 7,660,213 | 3,157,731 | (123,285) | 0 | 123,285 | 0 | 123,285 |
| NextEra Power Purchases | 0 | 4,200,745 | 8,348,700 | 8,764,850 | 416,150 | 8,140,000 | (208,700) |
| Capacity Charges & REC Purchases | 0 | 7,040 | 27,370 | 74,964 | 47,594 | 27,000 | (370) |
| MISO Monthly | 166,802 | 189,608 | 231,489 | 180,000 | (51,489) | 216,250 | (15,239) |
| ATC Transmission Charges | 1,168,956 | 1,157,028 | 1,187,542 | 1,216,170 | 28,628 | 1,187,500 | (42) |
| TOTAL PURCHASED POWER EXPENSES | 9,068,871 | 8,798,023 | 9,732,128 | 10,325,546 | 593,418 | 9,631,050 | (101,078) |
| POWER PURCHASES OPERATING RESULTS | \$5,381,087 | \$6,055,330 | \$2,880,297 | \$4,750,454 | (\$1,870,157) | \$2,886,950 | (\$6,653) |

CITY OF ESCANABA
2012-2013 Electric Fund
Comparison to Prior Years and to Budget

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| | Actual 2010-11 | Actual 2011-12 | 8/23/13 Unaudited 2012-13 | Budget 2012-13 | Comparison to Budget | Budget Estimate 2012-13 | Comparison of Unaudited to Estimate |
|--|----------------------|----------------------|---------------------------------|----------------------|-------------------------|-------------------------------|---|
| DISTRIBUTION OPERATIONS | | | | | | | |
| State Mandated Charges | \$130,147 | \$191,450 | \$211,576 | \$280,000 | (\$68,424) | \$264,500 | (\$52,924) |
| Energy Conservation Promotion | (130,147) | (212,086) | (180,330) | (280,000) | (99,670) | (262,000) | 81,670 |
| NET | \$0 | (\$20,636) | \$31,246 | \$0 | \$31,246 | \$2,500 | \$28,746 |
| Connection Charges | 20,758 | 22,600 | 21,456 | 20,000 | 1,456 | 22,000 | (544) |
| Penalties on Utility Collections | 69,857 | 52,472 | 43,929 | 55,000 | (11,071) | 45,000 | (1,071) |
| Pole Rentals | 45,816 | 47,190 | 48,384 | 47,200 | 1,184 | 48,400 | (16) |
| Miscellaneous Revenues | 4,720 | 16,771 | 31,761 | 4,000 | 27,761 | 28,200 | 3,561 |
| TOTAL DISTRIBUTION OPERATION REVENUES | 141,151 | 118,397 | 176,776 | 126,200 | 50,576 | 146,100 | 30,676 |
| DISTRIBUTION OPERATIONS EXPENSES | | | | | | | |
| Total General Admin | 1,355,314 | 1,306,116 | 1,135,536 | 1,230,507 | 94,971 | 1,204,600 | 69,064 |
| Total Transmission & Distribution | 351,688 | 253,302 | 449,008 | 428,514 | (20,494) | 413,850 | (35,158) |
| Total Customer Service | 20,675 | 24,428 | 14,539 | 27,684 | 13,145 | 19,000 | 4,461 |
| Depreciation Distribution System | 299,211 | 318,843 | 241,828 | 300,000 | 58,172 | 325,000 | 83,172 |
| Overhead to Utilities | 542,740 | 551,070 | 549,410 | 551,347 | 1,937 | 562,025 | 12,615 |
| TOTAL DISTRIBUTION OPERATION EXPENSES | 2,569,628 | 2,453,759 | 2,390,321 | 2,538,052 | 147,731 | 2,524,475 | 134,154 |
| DISTRIBUTION OPERATIONS RESULTS | (\$2,428,477) | (\$2,335,362) | (\$2,213,545) | (\$2,411,852) | \$198,307 | (\$2,378,375) | \$164,830 |
| OTHER INCOME / (EXPENSE) | | | | | | | |
| Interest Income | \$196,211 | \$226,277 | \$214,990 | \$225,000 | (\$10,010) | \$220,000 | (\$5,010) |
| Gain/(Loss) on Investments | 43,172 | 84,161 | (164,909) | 0 | (164,909) | 0 | (164,909) |
| Increase in Market Value of Inventory | 994,071 | 0 | 0 | 0 | 0 | 0 | 0 |
| Generating Plant Clean-Up Costs | 0 | 0 | (378,497) | 0 | (378,497) | 0 | (378,497) |
| Contribution to General Fund | (463,624) | (463,624) | (463,624) | (463,624) | 0 | (463,625) | 1 |
| TOTAL OTHER INCOME / (EXPENSE) | \$769,830 | (\$153,186) | (\$792,040) | (\$238,624) | (\$553,416) | (\$243,625) | (\$548,415) |
| NET INCOME / (LOSS) | (\$785,328) | (\$728,371) | (\$562,933) | \$2,099,978 | (\$2,662,911) | \$134,950 | (\$697,883) |

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CITY OF ESCANABA
2012-2013 Electric Fund
Comparison to Prior Years and to Budget

| Actual 2010-11 | Actual 2011-12 | 8/23/13 Unaudited 2012-13 | Budget 2012-13 | Comparison to Budget | Budget Estimate 2012-13 | Comparison of Unaudited to Estimate |
|-------------------|-------------------|---------------------------------|-------------------|-------------------------|-------------------------------|---|
|-------------------|-------------------|---------------------------------|-------------------|-------------------------|-------------------------------|---|

CALCULATION OF NET INCOME LESS ONE-TIME / EXTRAORDINARY TRANSACTIONS

| | | | | | | |
|--|----------------------|--------------------|-------------------|--|--|--|
| NET INCOME / (LOSS) | (\$785,328) | (\$728,371) | (\$562,933) | | | |
| Eliminate One-Time / Extraordinary Transactions: | | | | | | |
| Gain/(Loss) on Investments | (43,172) | (84,161) | 164,909 | | | |
| Increase in Market Value of Inventory | (994,071) | 0 | 0 | | | |
| Generating Plant Clean-Up Costs | 0 | 0 | 378,497 | | | |
| ADJUSTED NET INCOME / (LOSS) | (\$1,822,571) | (\$812,532) | (\$19,527) | | | |

CALCULATION OF NET INCOME WITHOUT GENERATION EFFECT

| | | | | | | |
|---|--------------------|--------------------|------------------|--|--|--|
| ADJUSTED NET INCOME / (LOSS) | (\$1,822,571) | (\$812,532) | (\$19,527) | | | |
| Eliminate Generation Operations Results | 4,507,768 | 4,295,153 | 437,646 | | | |
| ADJUSTED NET INCOME / (LOSS) | \$2,685,197 | \$3,482,621 | \$418,118 | | | |