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City coal prices hot topic

By Jenny Lancour

POSTED: February 14, 2008

ESCANABA — "Hindsight is 20/20," a utility representative said as he explained Escanaba's past coal supply purchases during a meeting of the Electrical Advisory Committee (EAC) Wednesday.

Dave Wanner, fuel procurement agent for Wisconsin Public Service (WPS), was invited to the EAC meeting following recent citizen concerns about the high price of coal paid by the city, said Mike Furmanski, electric superintendent.

WPS purchases coal for the city. WPS is the parent company of the Upper Peninsula Power Co. (UPPCO) which operates the city's power plant. Last month, the city purchased 80,000 tons of coal on a one-year contract with C. Reiss Coal Co. for \$72.45 per ton, including delivery costs. Coal was \$68 a ton last year.

Resident Pete Baker contends that, had the city purchased coal months earlier, the price would have been much cheaper. He presented his concerns to city officials at the townhall meeting on Jan. 30 and at council's regular meeting on Feb. 7.

"The key issue...was my shock to find out that our city had not taken any action to buy or contract to buy coal when the prices for our particular type of coal had dropped to record-low prices during 2007," Baker said during last week's council meeting.

Wanner said timing of bids is difficult in a volatile coal market. Factors which have contributed to a recent increase in coal prices are weather conditions in areas where coal is mined. China experienced record cold, Australia had heavy flooding and South Africa and Indonesia had heavy rains, he said. The European markets that depended on these suppliers, started looking to U.S. coal suppliers, he explained.

These factors came together in January, causing "a huge price run up," Wanner said. "It was not obvious the price was going to go up."

The city is also limited in its coal suppliers because of "tight specifications" on the type of coal it uses to produce energy, he said. Escanaba requires a specific sulfur content due to air emission standards.

Wanner added Escanaba's coal supply is too small in tonnage to conduct multiple bids at various times of the year. If bids are sought too early before delivery, suppliers may increase prices to protect themselves from market increases down the road, he said.

Wanner told the EAC members the city "may have" gotten a better price for coal had it been ordered earlier, but it's a matter of 20/20 hindsight, not knowing what the price would be until after the fact.

During public comment at the end of Wednesday's EAC meeting, Baker suggested this matter be put behind and the EAC focus on the future. "But don't lose value of after-action review," he added. He said he applauds the EAC looking forward and appreciates the work committee members do. Escanaba City Council member Tom Warstler said during public comment the city did not make a mistake regarding the recent coal purchase but that the issue is a matter of "looking backwards" at what could have been.

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Dave Wanner, in distance, fuel procurement agent for Wisconsin Public Service, explains how coal is purchased for Escanaba's power plant during a meeting of the Electric Advisory Committee Wednesday. Mayor Leo Evans is in the foreground. (Daily Press photo by Jenny Lancour)

Fact Box

"Hindsight is 20/20 ... It was not obvious the price (of coal) was going to go up."

Dave Wanner
Wisconsin Public Service