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Power costs rising in city

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POSTED: October 3, 2008

ESCANABA - Electric rates will rise in Escanaba, announced city administration during a special public address televised Thursday.

"As costs rise, the city's fuel cost to produce power increases, which in turn could have an impact on the rates we charge to our customers," said City Manager Jim O'Toole in a live broadcast on Charter Cable Channel 21 prior to council's regular meeting.

Factors hiking the cost of energy in Escanaba include a possible \$1 million annual fee to pay for access to transmission lines. A recent halt in the delivery of coal could also cause the city to pay more for fuel from another source, O'Toole said.

"Maintaining the city of Escanaba's electrical power rates in this time of unprecedented change in the electric utility industry has become increasingly difficult and expensive," O'Toole said.

"In today's energy world, continual demand is being placed on American coal from countries like China and India, which in turn is causing the city of Escanaba difficulties in securing reliable and affordable coal for use in our plant," he said.

Following council's regular meeting, O'Toole confirmed there will be a hike in electric rates, but it's unknown at this time what the increase will be. Increased energy costs experienced by the city will be passed on to the consumer, unlike the recent past, he added.

During the budget process this spring, city administration considered but decided against raising electrical rates to offset a price increase in coal. Instead of raising energy rates by 13 percent, city council voted to take \$1.7 million from the electric fund to make up the difference.

At that time, the mine that was contracted to send coal to the city went bankrupt, forcing the city to find another coal source and pay more for fuel. Last week, city officials were informed that another mine cannot deliver "due to unexpected and unforeseeable high levels of methane gas and unanticipated geological conditions," said O'Toole.

"The mine does not yet know the volume impact this will have to our outstanding coal balance, but they have assured us they are monitoring the situation closely and will contact us as soon as possible once more information is known," O'Toole said.

The city has received about 45,000 tons of the coal it has contracted to purchase. That supply will last through the end of January, he said. Another 43,000 tons included in the contract have not been delivered.

In the meantime, the city is keeping in constant contact with its coal supplier, C. Reiss Coal Co., is monitoring the mine situation and identifying other sources of coal, O'Toole said.

Besides the availability and cost of coal, the other factor which could hike electric rates is a potential 38-45 percent increase the city will likely have to pay for accessing regional transmission lines, O'Toole said.

Article Photos



Escanaba Electrical Superintendent Mike Furmanski watches the television in city hall as City Manager Jim O'Toole speaks during a live broadcast prior to council's meeting Thursday. O'Toole updated the public on factors that will contribute to higher electric rates in the city. (Daily Press Photo by Jenny Lancour)

"The city of Escanaba has been recently notified by the American Transmission Co. and our plant operator that there is a good possibility the city of Escanaba is going to be required to pay a fee to use the ATC transmission system to buy and sell power from our existing facility," he announced.

That fee could be as much as \$1 million a year to share in costs of maintaining lines and expanding the system, he said.

O'Toole said the purpose of the public address was to inform electric customers and encourage them to become involved in the decision-making process.

"I want to provide customers with a heads up on the situation as early as possible so that plans and necessary decisions and adjustments can be made within households and businesses," he said.

He invited customers to attend Wednesday's 6 p.m. Electrical Advisory Committee meeting at city hall.

"At this meeting, a full disclosure of facts will be made and discussed as they relate to various power options available to the community, coal pricing, availability and procurement of coal, load and transmission capacity issues, and energy conservation," he explained.

Details on the city's energy situation are also available on the city's Web site at www.escanabaenergy.com, he said.

"Decisions are going to have to be made very soon to determine what direction we're going to have to go," O'Toole said after the meeting.

Mayor Leo Evans said city administration is keeping council updated on the energy situation and will work to minimize any rate increase.

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