

Crystal Falls, Michigan

March 16, 2009

A special meeting of the Council for the City of Crystal Falls was held in the Council Chambers at the City Hall on Monday, March 16, 2009 at 6:00 pm Central Time.

Present: Mayor Hendrickson, Councilors Burke, Smokevitch, Hagglund, and Bicigo.

Absent: None

Also present were: City Manager Nordeman, City Attorney Lawrence, City Clerk/Treasurer Olson.

Visitors in attendance were: David Graff, Richard Hendrickson, Larry Bicigo, Tara Peltoma, Mark Simeoni, and Tom Hanrahan.

The purpose of this special meeting was to consider entering into a long term contract for electric energy with WPPI and also to adopt a resolution regarding FERC Order No. 719.

Mayor Hendrickson led the reciting of the Pledge of Allegiance.

Tom Hanrahan, General Counsel for WPPI, answered questions regarding the long term contract for electric energy. A lengthy discussion ensued and some of the concerns of the Councilors included: the ability of the City to sell the power plant; the 5 year waiting period to purchase power thru WPPI; the need to pay the \$371,427 Point Beach Power Plant rebate received by the City from WE Energies; the value of "Green" energy credits due to the City's hydro plant operations; the "non-member" status of Michigan utilities who contract with WPPI; the recent rate increase imposed by the City covering the cost of joining WPPI; re-negotiations with WE Energy for the remainder of the 5-year waiting period; ancillary services & cost; and rate stabilization fund payments.

It was moved by Councilor Burke seconded by Councilor Hagglund that the City enter into a long term contract with WPPI for the purchase electric energy as presented, including the payment of the WEPCO Point Beach Refund and the contribution to WPPI's Energy's Rate Stabilization Fund.

Ayes: Councilors Burke, Smokevitch, and Hagglund

Nays: Mayor Hendrickson and Councilor Bicigo.

Motion carried.

Councilor Burke seconded by Councilor Hagglund moved to adopt the following resolution:

RESOLUTION OF THE CITY OF CRYSTAL FALLS
CITY COUNCIL APPROVING THE LONG TERM POWER SUPPLY CONTRACT WITH WPPI ENERGY

WHEREAS, the City of Crystal Falls ("City") owns and operates an electric utility pursuant to applicable provisions of Michigan law, and through such utility distributes and sells electric power and energy at retail within the City and elsewhere;

WHEREAS, WPPI Energy (WPPI), a municipal electric company formed under Sec. 66.0825, Wis. Stats., which permits WPPI to contract with any person or public agency within or outside of the State of Wisconsin for the sale of electric power and energy;

Crystal Falls, Michigan

March 16, 2009

WHEREAS, the City desires to purchase its power and energy requirements from WPPI under WPPI's Long Term Power Supply Contract for Non-Member Participants (Long Term Contract) to enable WPPI to pursue and develop long term power supply resources for service to WPPI's members and Non-Member Participants, including the City;

WHEREAS, the City Council of the City of Crystal Falls ("Council") has reviewed the proposed Long Term Contract between WPPI and the City and has examined all other matters deemed relevant by the city;

WHEREAS, the Council finds that it is in the best interest of the City and the City residents that the City enter into the Long Term Contract with WPPI;

NOW, THEREFORE, BE IT RESOLVED by the council that:

- (1) The Long Term Contract between WPPI Energy and the City, the form of which has been submitted by WPPI to the City, is hereby approved;
- (2) The Mayor and Clerk are directed to execute and deliver to WPPI the Long Term Contract on behalf of the City, in substantially the form presented to the Council. The Mayor and Clerk and other appropriate Council officials, including the City Attorney, also are directed to take all other actions on behalf of the city as may be necessary to effectuate the Long Term Contract between the City and WPPI;
- (3) The Mayor and Clerk are authorized and directed to execute on behalf of the City an assignment of its current power supply contract with Wisconsin Electric Power Company to WPPI subject to the approval of such assignment by the Board of Directors of WPPI;
- (4) The City agrees to be bound by the terms of the Long Term Contract as executed by the City.

Ayes: Mayor Hendrickson, Councilors Burke, Smokeyvitch, Hagglund, and

Bicigo. Nays: None

Motion carried.

Councilor Burke seconded by Councilor Hagglund moved to adopt the following:

A RESOLUTION OF THE CITY OF CRYSTAL FALLS, CITY COUNCIL TO MAKE PROVISION WITH RESPECT TO THE AGGREGATION OF DEMAND RESPONSE ON BEHALF OF RETAIL CUSTOMERS SERVED BY THE CITY OF CRYSTAL FALLS

BE IT RESOLVED BY THE CITY OF CRYSTAL FALLS UNDER AUTHORITY OF THE CONSTITUTION AND LAWS OF THE STATE OF MICHIGAN AND CHARTER OF THE CITY OF CRYSTAL FALLS BY AUTHORITY OF THE SAME RESOLVES AS FOLLOWS:

Section 1. LEGISLATIVE FINDINGS. Whereas, the Federal Energy Regulatory Commission has issued Order No. 719, 125 FERC, 61,071, 73 Fed Reg. 64,099 (October 28, 2008).

Whereas pursuant to Order No. 719, 18 C.F.R., 35.28 (g)(1)(iii) provides: "Bach Commission-approved independent system operator and regional transmission organization must permit a qualified aggregator of retail customers to bid demand response on behalf of retail customers directly into the Commission-approved independent system operator's or regional transmission organization's organized markets, unless the laws and regulations of the relevant electric retail regulatory authority expressly do not permit a retail customer to participate".

Whereas pursuant to Order No. 719, 18 C.F.R., 35.28(g)(1)(i)(A) provides: "Every Commission-approved independent system operator or regional transmission organization that operates organized markets based on competitive bidding for energy imbalance, spinning reserves, supplemental reserves, reactive power and voltage control, or regulation and frequency response ancillary services (or its functional equivalent in the Commission-approved independent system operator's or regional transmission organization's tariff) must accept bids from demand response resources in these markets for that product on a basis comparable to any other resources, if the demand response resource meets the necessary technical requirements under the tariff, and submits a bid under the Commission-approved independent system operator's or regional transmission organization's bidding rules at or below the market-clearance price, unless not permitted by the laws or regulations of the relevant electric retail regulatory authority".

Whereas, pursuant to the Constitution and Laws of the State of Michigan and the City Charter for the City of Crystal Falls, the City Council of the City of Crystal Falls is authorized to enact Resolutions governing the provision of electric power to the retail customers served by the City of Crystal Falls.

Whereas, the City Council of the City of Crystal Falls has determined that it would be harmful to the demand response in the City of Crystal Falls, and the collective interests of the City of Crystal Falls, as a load-serving entity with an obligation to serve at retail, and the City of Crystal Falls' retail customers to permit any entity other than the City of Crystal Falls itself or it's authorized designee to aggregate demand response on behalf of its retail customers.

Whereas, the City Council of the City of Crystal Falls, as the electric retail regulatory authority for the City of Crystal Falls, has determined it to be desirable that the aggregation of demand response on behalf of retail customers served by the City of Crystal Falls to be bid directly into the organized electric and ancillary services markets administered by the Midwest ISO (or any successor independent system operator or regional transmission organization to which the City of Crystal Falls is a participant) be performed by the City of Crystal Falls or its authorized designee, the following

policy amendments to the electric policy of the City of Crystal Falls are hereby adopted.

Section 2. This Resolution hereby amends the electric policy of the City of Crystal Falls under the heading "Aggregation of Retail Customer Demand Response" a new subsection to provide as follows:

A. The WPPI Energy, as City of Crystal Falls' authorized designee, is the sole entity permitted to bid demand response on behalf of retail customers served by the City of Crystal Falls directly into any Commission-approved independent system operator's or regional transmission organization's organized electric markets.

B. Retail customers served by the City of Crystal Falls wishing to bid their demand response into a Commission-approved independent system operator's or regional transmission organization's organized electric markets may do so by participating in the program established by the City of Crystal Falls or its authorized designee. Retail customers are not permitted to participate in the demand response program of any other entity without the express prior authorization of the City of Crystal Falls.

Section 3. This Resolution hereby amends the electric policy of the City of Crystal Falls under the heading "Ancillary Services Provided by Demand Response Resources" a new subsection to provide as follows:

A. The WPPI Energy, as City of Crystal Falls' authorized designee, is the sole entity permitted to bid demand response on behalf of retail customers, served by the City of Crystal Falls, directly into any Commission-approved independent system operator's or regional transmission organization's organized markets for energy imbalance, spinning reserves, supplemental reserves, reactive power and voltage control, or regulation and frequency response ancillary services (or its functional equivalent in the Commission - approved independent system operator's or regional transmission organization's tariff).

B. Retail customers served by the City of Crystal Falls wishing to bid their demand response into a Commission-approved independent system operator's or regional transmission organization's organized markets for energy imbalance, spinning reserves, supplemental reserves, reactive power and voltage control, or regulation and frequency response ancillary services (or its functional equivalent in the Commission-approved independent system operator's or regional transmission organization's tariff) may do so by participating in the program established by the City of Crystal Falls or its authorized designee. Retail customers are not permitted to participate in the demand response program of any other entity without the express prior authorization of the City of Crystal Falls.

Ayes: Mayor Hendrickson, Councilors Burke, Smokevitch, Hagglund, and

Bicigo. Nays: None

Motion carried.

Councilor Burke supported by Councilor Hagglund moved to adjourn this special meeting of the City Council.

Motion carried.

Meeting adjourned at 7:22 p.m.

Presiding Officer

Presiding Clerk