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MEMORANDUM

A handwritten signature in dark ink, appearing to read "S. Dupee", is written over the "Re:" line of the memorandum header.

To: Gary Boyle, Interim City Manager
Re: American Municipal Power Generating Station - Participation Recommendation
From: Steve Dupee, Director
Date: August 21, 2007

Over the last five (5) years, our community along with 74 other Ohio public power communities have participated in the development of a new base-load generation facility to serve our future power supply needs. This development process has resulted in the proposed American Municipal Power Generating Station (AMPGS), an approximately 1,000 megawatt power plant that will use state of the art, proven, clean-coal technology to minimize emissions and ensure high operating efficiencies. AMPGS will be an extremely important component of our municipal electric system's efforts to control future power supply costs. This facility will be owned and operated by AMP-Ohio, our wholesale power provider, and will replace the Richard H. Gorsuch Generating Station, AMP-Ohio's current flagship coal-fired generation facility located in Marietta, Ohio. The Gorsuch Station has provided a significant portion of the City's power supply needs since 1988.

On July 16th, a joint work session was held with members of City Council and the PUC to listen to a presentation by AMP-Ohio representatives regarding the AMPGS project as well as development activities for additional hydro generation. During the joint work session, AMP-Ohio representatives discussed the recent release (June, 2007) of the **Initial Project Feasibility Study** report and the **Participant Beneficial Use Analysis** report. Reference was also made to a **Power Supply Plan** prepared for each AMP-Ohio member in February, 2007. These documents, prepared by R.W. Beck, AMP-Ohio's owner-engineer, provide a comprehensive analysis of the AMPGS project as well as the power supply requirements and capacity recommendations for each member participant. I have included excerpts from these documents for your reference and will comment on them individually.

Before proceeding to the Initial Project Feasibility Study report, I would like to provide some responses to questions received during and after the joint work session on July 16th.

Question No. 1 - Will AMPGS preclude or limit AMP-Ohio's ability to finance future base load generation projects, in particular, projects involving new environmentally-friendly technology?

Answer No. 1 - According to Bob Trippe, AMP-Ohio Vice President of Finance, the answer is no. AMP-Ohio will be financing 3 major generation projects; (1) AMPGS; (2) Prairie State and; (3) new hydro facilities. However, AMP-Ohio currently has 121 members and is still growing. With continued load growth, there will be a need for additional base load resources to serve member power supply needs. Having said that, AMP-Ohio's ability to finance future projects, of course, is predicated upon the financial health and creditworthiness of the AMP-Ohio membership. AMP-Ohio has placed an emphasis on member financial health by establishing a member credit rating program, performing cost of service studies, holding accounting subcommittee meetings for member finance staff, etc.

Question No. 2 - With regards to coal use - does AMP-Ohio know the sources of coal supply; does AMP-Ohio have policies governing coal suppliers; what are the inputs to the environmental impacts of coal use?

Answer No. 2 - Regarding coal sources, AMPGS proposes to use a blend of Ohio (high sulfur) coal and central appalachian or power river basin (low sulfur) coal. At this time, no decision has been made regarding coal purchases. That decision will remain with the participants committee of the AMPGS project. Having said that, AMP-Ohio has typically received coal from deep wall mines for low sulfur coal and surface mines for Ohio coal for the Gorsuch Station.

AMP-Ohio currently has no policies governing coal suppliers. The coal industry is regulated by federal and state environmental and safety laws and regulations. For example, in Ohio, mining companies must operate in concert with laws and regulations enforced by MSHA, USEPA, OEPA, ODNR, Army Corps of Engineers and local officials.

Regarding the question on inputs to the environmental impacts of coal use, both AMP-Ohio and its members continue to support the expansion of renewable generation resources, increasing energy efficiency and conservation through a variety of programs, offering demand side management opportunities, tree planting, etc.

Some examples of AMP-Ohio's efforts as well as our local efforts are shown below.

Renewable Generation

Currently, our community receives 17% of its power supply from renewable resources. In an effort to increase the use of renewable generation, members of AMP-Ohio are participating in a developmental feasibility study to develop, at a minimum, 191 megawatts of hydro generation on the Ohio River. Our community is participating in this study and will reserve the right to acquire up to an additional 2.6 megawatts of hydro generation from these future hydro projects.

AMP-Ohio has partnered with the City of Clyde to monitor wind just outside of Clyde with a view towards adding 50 to 100 megawatts of additional wind resources. AMP-Ohio is working on other potential additional wind generation projects near the City of Bowling Green as well as Berlin, Pennsylvania. Numerous AMP-Ohio members are individually monitoring wind in their respective communities.

Finally, AMP-Ohio is working with Energy Developments Inc., to expand the use of landfill gas generation. I would point out that the City is in preliminary discussions with Energy Developments, Inc. regarding site availability to support expansion of the landfill gas generation resources at the local landfill.

Net Metering

In 2003, City Council authorized a net metering policy which encourages the use of solar (photo-voltaic) power by providing a full credit to customers on the avoided cost associated with the purchase and delivery of retail electricity by the utility (currently at 9.5 cents per kilowatt-hour). The credit helps offset the capital costs of purchasing and installing photo-voltaic equipment.

Tree Planting

Since 2004, the utility has planted approximately 200 trees in the City's curb lawns. In 2006, City Council supported additional funding to allow the utility to plant 60+ trees per year.

Sustainable Reserve Program

This program uses the proceeds from local renewable energy sales to provide funding opportunities for community-based, utility-related, environmentally-friendly initiatives demonstrating energy efficiency, energy conservation, green-house gas reductions and/or development of green power generation resources.

Energy Conservation

The utility plays an important role in supporting and encouraging energy conservation in the community. As you know, for many years, the utility, through its Energy Services Division, has offered no-cost heat lost inspections for residential customers through the use of infrared thermography and blower door equipment. These inspections provide customers with information regarding their homes heating and cooling effectiveness. As follow-up, utility staff provide a report of their findings and some recommended tips for increasing a home's energy efficiency. For many years the utility has offered compact fluorescent light bulbs at bulk prices. CFLs use 75-80 percent less energy and the program is a quick and easy way to reduce energy costs for customers.

Commercial Energy Services

The utility provides a variety of programs for commercial and industrial customers to reduce electric demand and save energy dollars. These programs include: power quality monitoring, load profile analysis, infrared thermography testing and customer-owned distribution equipment testing.

Carbon Sequestration

In February, 2007, City Council authorized membership and participation in the Climate Protection Campaign with the International Council for Local Environmental Initiatives (ICLEI). Founded in 1990, ICLEI is an international association of local governments dedicated to the prevention and solution of local, regional and global environmental problems through local action. Through membership in this organization, the City will endeavor to reduce both greenhouse gas and air pollution emissions through the development of target reductions for end-use greenhouse gas emissions followed by the development and implementation of actions to meet the targeted reductions.

In the U.S., the single largest coordinated effort on carbon sequestration research is being carried out under the U.S. Department of Energy's Regional Carbon Sequestration Partnership Program which includes seven regional partnerships. The purpose of this program is to conduct research aimed at developing sequestration technology and strategies. In the midwest, the Midwest Regional Carbon Sequestration Partnership (MRCSP) is being led by the Columbus, Ohio-based research firm Battelle. AMP-Ohio is a member of the MRCSP. The first phase of the research will be to assess the technical, economic and social feasibility of carbon sequestration in the respective regions. The second phase of the research will be to conduct small-scale field tests of sequestration opportunities.

Question No. 3 - Would the City have the option to sell its share of the AMPGS project?

Answer No. 3 - According to AMP-Ohio's legal counsel, we could assign our share of the project to another participant or even a non-participant. However, this assumes it does not affect the tax status of AMP-Ohio or the bonds, does not adversely affect the credit profile for insurers or bondholders and doesn't cost AMP-Ohio or the other participants additional monies.

INITIAL PROJECT FEASIBILITY STUDY (Executive Summary)

Refer to the document titled "Initial Project Feasibility Study"

The purpose of the Initial Project Feasibility Study is to address the technical, operational, financial and risk implications associated with AMPGS project and provide participants and their respective boards, councils, commissions and consultants with an in-depth and extensive analysis regarding:

- the development history of AMPGS ;
- a description of the participants and their power supply requirements;
- project description and estimated costs;

- plans for constructing and operating AMPGS;
- legal and contractual arrangements;
- financing costs and operating results;
- potential project risks;
- factors affecting the electric utility industry; and
- principal considerations, assumptions, findings and conclusions.

I have provided a copy of the "Executive Summary" from this study. If any City Council member would like to review the entire study report, it is available for distribution. Again, this study will provide the most comprehensive analysis of the AMPGS project. Below are some comments related to Executive Summary.

Project Generation and In-service Schedule

Electricity from AMPGS will be generated through two (2) 480 megawatt (960 total) pulverized-coal generation units. It is anticipated that the construction on this project will commence in the April, 2009 time frame with the first unit expected to come online in April, 2013 and the second unit in October, 2013. The Gorsuch plant will continue to operate in the interim providing our base-load power supply needs until the AMPGS plant is fully operational. Any remaining base-load power supply requirements over and above what is generated from our existing resources will be filled with market power purchases until the plant is fully operational.

Project Location

AMPGS will be located in southeastern Ohio in the township of Letart Falls in Meigs County. As discussed during the joint work session, local residents and officials have been very supportive of the project. AMP-Ohio maintains a local presence by renting and staffing an office in the Pomeroy area north of Letart Falls.

Capital Costs

Table 1 of page ES-7 shows the capital cost of the AMPGS project estimated to be \$2.5 billion. Table 2 of page ES-8 includes finance costs during construction bringing the total estimated cost of the project to \$2.9 billion. Using the \$2.9 billion figure and assuming that our community will take 12 megawatts of the total 960 megawatts, I have figured that our **principal** share of the project cost is approximately \$36.3 million (excluding finance costs).

Operating Costs

Attachment ES1, page 1 of 4, shows the annual operating and maintenance costs for AMPGS beginning in 2013 at \$32.02. For comparison purposes, the Gorsuch Station annual operating and maintenance costs were \$31.00 in 2005 and \$27.00 in 2006. The lower rate in 2006 was the result of lower SO₂ emission allowance costs.

Power Span Emissions Control Technology

AMPGS proposes to utilize the Powerspan Electro Catalytic Oxidation (ECO) SO₂ emissions control technology. This technology will use an ammonia-based (urea) wet scrubbing process to control SO₂, HAPS and Hg (mercury) and will produce an ammonium sulfate, a product used in the fertilizer industry. This technology has been in development since 1998 and in 2004 Powerspan installed a 50 megawatt commercial demonstration unit at the R.E. Burger plant near Shadyside, Ohio and owned by First Energy. The demonstration of this emissions control technology has been very successful. It is important to note that one of the key drivers in the decision by AMP-Ohio to utilize the Powerspan emissions control technology is the potential for future ammonia-based carbon

capture. Powerspan and the U.S. Department of Energy's National Energy Technology Laboratory have entered into a cooperative research and development agreement to develop a cost effective CO₂ removal process for coal plants. The regenerative process uses an ammonia solution to capture CO₂ in the flue gas and release it for subsequent sequestration. This CO₂ removal process could be readily integrated with Powerspan's ECO technology. According to the DOE's National Energy Technology Lab this process offers advantages over the traditional monoethanolamine process.

Recently, Powerspan announced an agreement with British Petroleum (BP) Alternative Energy to collaborate on Powerspan's carbon capture technology. The arrangement calls for financial and technical support from BP to speed the development and commercial viability of carbon control and sequestration through pilot and large scale projects. The technology will see its first pilot at the R.E. Burger plant. The pilot demonstration will be tasked with capturing CO₂ from a 1 megawatt slipstream and then the carbon will be sequestered in an 8,000 foot test well at the site. The Midwest Regional Carbon Sequestration Partnership is involved the demonstration project as well.

Projected Annual Power Supply Costs

The projected annual power supply costs for AMPGS are shown on Table 6 on page ES15 and on the bar chart on page ES-16. CO₂ costs are broken out to show the effect of carbon controls on the overall pricing. At the end of this memorandum, I have attached a comparison of market power costs vs AMPGS costs including CO₂.

20 year Power Supply Plan

See "Power Supply Plan" below.

Participant Beneficial Use Analysis

See "Participant Beneficial Use Analysis" below.

Legal and Contractual Arrangements

See "Power Sales Contract" below.

Financing

During construction, AMPGS will finance construction costs and interest costs with variable rate debt. It is AMP-Ohio's intention not to bill member participants for costs related to construction activities and interest expenses until the power plant is operational. Upon completion of AMPGS, permanent financing is contemplated through the issuance of tax-exempt fixed-rate long term bonds. Project financing term is contemplated at 40 years. According to R.W. Beck, the project's useful life is projected to be at least 40 years.

Project Risks

The study provides both a qualitative and quantitative assessment. From a qualitative perspective, R.W. Beck has identified three (3) risk sources they would consider to be moderate to high including construction risks, price risks and regulatory risks. R.W. Beck's report also includes risk mitigation strategies for each risk source. The quantitative assessment considers the risk sources identified through the qualitative assessment and then analyzes the effects on power prices associated with each.

Initial findings and Conclusions

Please read carefully the initial findings and conclusions by R.W. Beck. The findings and conclusions are self-explanatory and therefore no additional comments have been made.

POWER SUPPLY PLAN

Please refer to document titled "Power Supply Plan".

In late 2006, AMP-Ohio contracted with R.W. Beck to develop a long-term power supply plan for each member. In developing this plan, R.W. Beck utilized its Stochastic Econometric Regional Forecasting (SERF) model and power supply planning approach. SERF generates stochastic projections of fuel and power prices, utility loads and corresponding power costs for multiple portfolios of power supply resources. Stochastic projections reflect the uncertainty and volatility in forecast variables such as fuel costs and electric loads.

In February, 2007, we received our power supply plan which indicated power resource additions we should consider during the planning period from 2008 through 2027 to minimize expected power supply costs. As you can see, a thorough and comprehensive analysis has been performed to determine the optimal mix of power supply resources for the 20 year planning period. In an effort to summarize the results of the Power Supply Plan, I offer the following comments below.

Load Forecast

The plan provides a load forecast on which the basis for adding future base-load generation resources is determined. The load forecast is primarily based on a regression analysis of monthly or annual energy requirements as a function of various economic, demographic, weather, and other variables. Attachment A, Table 1 (labeled "Historical and Projected Net Energy Load and Peak Demand") shows the load forecast for our community. As you can see, from 2008 through 2027, R.W. Beck has estimated an annual load growth of 1.8% to 1.9%. At the bottom of Table 1, our actual average annual growth rate is shown for years 1996 through 2005 at .6%. However, from 2001 to 2005, the average annual growth rate was 2.3%. The loss of the Bayer Company, Wolf Envelope and Ames Department Store loads lowered the overall average load growth rate from 1996 to 2005. However, if you were to go back just a few more years to 1993, the City experienced an average annual load growth from 1993 through 2005 of 2% as a result of the additions of Kendal and Johnson Controls.

The load forecast for peak demand and energy requirements is graphically represented under Attachment A, Table 1 (labeled "Stochastic Load Forecast Results"). The stochastic approach shows the expected value for load growth, the 5% percentile for expected load growth and the 95% percentile for expected load growth. In my opinion, average load growth of approximately 2% per year is reasonable through 2027. However, I would note that the opportunity for additional growth is present in the Route 58/20 corridor.

Capacity Additions

In developing the power supply plan, R.W. Beck assumed that our community could participate in "slices of future generating resources equal to 15% of our 2027 capacity requirements including 12% reserves. Future generation resources considered by R.W. Beck are shown on page 3 of the power supply plan and include future AMP-Ohio generating assets, generic coal plants, market power purchases, hydro resources, wind resources, combined cycle plants and simple cycle plants. Based on the load forecast method described above, our peak demand projected for 2027 is 39.4 megawatts which translates into future slices of generation capacity of 5.9 megawatts. R.W. Beck has developed a "Base Case" power supply plan and a "Renewable Portfolio Standard" (RPS) alternative plan.

The "Base Case" power supply plan shows the optimal resource additions to minimize expected future power supply costs. The "RPS" plan assumes that each participant would be required to fulfill 10% of their energy requirements with renewable resources by 2015. The RPS plan assumes that the proposed AMP-Ohio run-of-the-river hydro-electric plants in development and future wind generation would qualify under the RPS; however, existing hydro resources are not included.

The "Base Case" and "RPS Case" power supply plans are shown on Attachment B, Table 2. Under the "Base Case" scenario, the plan reveals we could fit two (2) slices of AMPGS or 11.8 megawatts into our portfolio beginning in 2013. The plan shows adding hydro capacity of 5.9 megawatts in the 2025 time frame. The levelized average cost of electricity for the planning period is \$67.55 with a standard deviation of \$6.98. The standard deviation represents the amount of uncertainty in future power supply costs. Under the RPS Case, the plan is essentially the same; however, it forces in small increments of hydro generation to meet the RPS standard. The projected levelized cost is expected to be \$67.59 with a standard deviation of \$6.97. In summary, the two (2) important outcomes of the power supply plan are a determination of a reasonably expected load forecast and a determination on the optimal generation resource mix. *(It is important to note that the costs for AMPGS reflected in these power supply plans were from the Sargent & Lundy Feasibility Study. These costs have been updated by R.W. Beck and are reflected in the Participant Beneficial Use Analysis described next).*

PARTICIPANT BENEFICIAL USE ANALYSIS

Please refer to document titled "Participant Beneficial Use Analysis".

In June, 2007, R.W. Beck prepared a "Participant Beneficial Use Analysis". The purpose of this analysis is to determine if each member participant can beneficially utilize their capacity share of AMPGS. The capacity share used in the Beneficial Use Analysis is based upon the number of megawatts each participant signed up for through the developmental feasibility study. Our initial level of participation in the developmental feasibility study was 6.65 megawatts. Upon the decision to close the Richard H. Gorsuch Station, an additional 6.695 megawatts of capacity was included for a total of 13.345 megawatts. As you know, we are under no obligation to take the full 13.345 megawatts of capacity. This is merely our capacity reservation amount based on our level of participation in the developmental feasibility study. A list of all participants is shown on page 1 of Attachment A.

R.W. Beck prepared three (3) types of analysis to demonstrate whether or not each participant could beneficially utilize its capacity share of the AMPGS project including:

- a comparison of the AMPGS capacity as a percent of peak demand for selected years;
- an analysis of potential surplus energy identifying surplus energy sales from AMPGS and the incremental sales from existing resources as a result of adding AMPGS; and,
- an analysis of projected power costs and risks before and after a member participant's AMPGS capacity allocation.

Considering each analysis, I will refer to the various attachments at the end of the Beneficial Use Analysis Report and offer comments.

AMPGS Capacity as a Percent of Peak Demand

Attachment D, Page 2 of 2 shows that based upon 13.345 megawatts of participation, AMPGS would account for 56% of our peak demand in 2006, 47% in 2015 and 39% in 2025. Utilities generally plan for base-load capacity to be approximately 55% of their peak demand. It is important to note that we have other base load resources such as the Belleville Hydro plant and hydro power from the New York Power Authority that would remain part of our power supply portfolio beyond the start-up of AMPGS.

Surplus Energy

R.W. Beck has prepared an analysis of the amount of surplus energy available on annual basis from AMPGS as well as all base-load supplies. AMPGS would account for less than 5% on an average annual basis for surplus energy sales decreasing to approximately 1% in 2027.

Expected Cost vs. Risk

R.W. Beck prepared updated stochastic projections for power supply costs from the February, 2007 power supply plan. Again, these stochastic projections reflect uncertainty and volatility in member participant loads, fuel prices, market prices and CO2 costs. Our projections are shown on Page 1 of Attachment C. Figure 1 is our existing portfolio and assumes we would replace our base-load power needs by simply purchasing power from the market and using existing natural gas-fired resources. Figure 2 is our portfolio with 13.345 megawatts of AMPGS. Figure 3 is our portfolio with approximately 17 megawatts of AMPGS which includes a 25% step-up provision. The power sales contract includes a limited 25% step-up provision for each participant. This means that in the unlikely event that any one participant were to default on payment for their share of power from the AMPGS project, remaining participants would potentially have to step-up and take the power supply to a maximum amount of 25% of their existing capacity. This step-up provision would only go into effect after attempts to market the power to remaining participants, to other AMP-Ohio members and to the wholesale power market. As you will note, our expected levelized cost is less with AMPGS than our existing portfolio (comparing figure 1 to figure 2). If you add the 25% step up, the levelized cost is reduced further (comparing figure 2 to figure 3). This reflects R.W. Beck's evaluation that AMPGS is less expensive than market power and that excess energy sales would not adversely impact a participant's power portfolio.

Power Supply Sales Contract

The Power Supply Sales Contract will serve as the legal instrument to participate in the AMPGS project. The power supply sales contract was prepared by AMP-Ohio's General Counsel, John Bentine, with the assistance of AMP-Ohio's bond counsel, Peck Schaffer and AMP-Ohio's tax and developmental counsel, Sidley Austin. Below are some basic key points regarding this Power Sales Contract.

- The Power Sales Contract will be a **"take or pay"** contract. What this means is that each participant is owing on this contract whether or not AMP-Ohio delivers any power from AMPGS or backup or replacement power. This is the same arrangement we have in the OMEGA JV5 (hydro project) contract. Under this scenario, the risks associated with project completion and operation of project remain with participants rather than the bondholders. This structure is important in that the assumption of construction and operational risk by the borrower through take or pay contracts will provide access to adequate construction and working capital financing as well as post-construction permanent financing on the most favorable terms.
- Participants will subscribe for fixed shares of the project expressed both in kilowatts and a percentage of the total project output. This is referred to in the contract as Power Sales Contract Resources or PSCR shares.
- Each participant will have a "limited" step-up obligation. Participants may receive additional PSCR shares and payment obligations up to 25% of their initial PSCR shares and payment obligations due to default of another participant.

- Project participants will establish a project committee. This committee will have both decision-making and advisory roles on AMPGS. The participants will choose the members of the committee. Committee members must control at least 51% of the PSCR shares.
- There will be some decisions requiring a "Super Majority" of the participants which means participants controlling at least 75% of all PSCR shares. Approval is required by a super majority of participants for purchase of replacement power prior to operation of AMPGS; an increase or decrease of 10% or more in AMPGS capacity; any sale by AMP-Ohio of an interest in AMPGS; any transfer by AMP-Ohio of any interest in the power sales contract or termination of power sales contract after the bonds are paid off.
- Participants will receive their PSCR shares of AMPGS or backup and replacement power at transmission voltage at a "postage stamp" rate to the MISO/PJM border. What this means is that irrespective of where AMPGS is connected to the transmission grid, each participant will be charged the same rate for power supply based on total delivered cost of power to the MISO/PJM border.
- AMP-Ohio agrees to furnish energy associated with each participants contract resources to its delivery point(s).
- Participants will pay a monthly power bill for contract resources as an operating expense of their respective electric systems.
- The Power Sales Contract has an off-ramp for members who execute the Power Sales Contract prior to November 1st. Members will have a one-time option to reduce their PSCR share or repudiate the contract entirely until March 1, 2008. This is in recognition that the out-of-state members have until March 1st to execute their Power Sales Contract.
- Contract shall remain in effect until February, 2057.

Recommendation

City Council has two important future power supply decisions to consider. The first decision is whether or not our community should participate in the AMPGS project. The second decision is the determination of the number of megawatts we should take from this project. After five years of investigation, analysis and review by AMP-Ohio staff, the AMP-Ohio Board, the AMP-Ohio membership and numerous experts and consultants, this is the type of power generating facility that has been chosen as the best fit for members. It is my recommendation that our community participate in the AMPGS project. Our community has enjoyed the benefits of an "asset-based" power supply portfolio in terms of reliable, stable and economical power supply. In fact, history has shown, in particular for our community, on just how valuable owning generation assets can be when considering the benefits of our own local power plant and other municipal joint ventures we currently participate in (e.g. Belleville Hydro Plant). Our largest base-load generation asset, the Richard H. Gorsuch Power Plant - a 1950's vintage coal-fired plant, will be decommissioned at the time the new AMPGS plant is fully operational. In my opinion, filling this power supply need with asset-based generation such as AMPGS holds significant advantages over market power resources in terms of price stability, reducing wholesale power market risks, exercising control and oversight over operational issues, environmental considerations, etc.

Moving on to the capacity recommendation, lets begin by looking at the numbers. As you heard during the joint work session, our power supply requirements are separated into three categories: base-load, intermediate and peaking power. Utilities generally plan for 55% of their peak load capacity to be serve by base-load power, 20% of their peak load capacity to be served by intermediate power and 25% of their peak load capacity to be serve by

peaking power. On the energy side, utilities generally plan for 89% of their energy requirements to come from base-load power resources, 10% of their energy to come from intermediate resources and 1% of their energy from peaking power resources.

For your information, below is a summary of our current power supply portfolio based on our actual 2006 power supply requirements shown below:

- Richard H. Gorsuch Station (coal) - 6.695 megawatts of capacity (providing approximately 47% of energy requirements)
- OMEGA JV5 (hydro) - 1.27 megawatts (providing approximately 10% of energy requirements)
- New York Power Authority (federal hydro) .189 megawatts (providing approximately 2% of energy requirements)
- Northeast Area Service Group Pool Power (coal, natural-gas, diesel) (providing approximately 38% of energy requirements)
- Northern Pool (natural gas, diesel) (providing approximately 3% of our peaking power)

In 2013, the Richard H. Gorsuch Station will be decommissioned and market power contracts executed for the Northeast Service Group Pool Power will be expiring. The City will need to fill approximately 83% of its base load capacity needs by 2013. Our projected peak load in 2015 is estimated to be 28 megawatts and our projected energy requirements is 142,016 megawatt-hours. 55% of a peak demand of 28 megawatts yields a base-load capacity requirement of 15.4 megawatts. On the energy side, using 89% of 142,016 megawatt-hours yields a base-load energy requirement of 126,394 megawatt-hours.

The recommendation from R.W. Beck and AMP-Ohio is to take 12 megawatts of capacity from AMPGS. If our base load requirement is 15.4 megawatts, that leaves a difference of 3.4 megawatts. However, we will continue to have 1.45 megawatts of existing base load capacity (Belleville Hydro and NYPA). This means as of 2015, our base load resources including AMPGS, Belleville and NYPA will be approximately 48% of our peak load. On the energy side, 12 megawatts at average load factor of 85% translates into energy output of 89,352 megawatt-hours. Our existing base load resources (Belleville and NYPA) will generate approximately 14,000 megawatt-hours. This means as of 2015, AMPGS, Belleville and NYPA will account for 73% of our base load energy requirements.

It appears that the recommendation from R.W. Beck and AMP-Ohio appears reasonable and does not prohibit us from participating in future power supply resources such as new hydro or additional wind power for example. To illustrate this point, please refer to the bar chart at very end of the memorandum titled "Oberlin Energy Supply 1.85% Load Growth". As you see, even after the addition of 12 megawatts of AMPGS as well as additional hydro resources, we continue to have a base-load power supply shortfall of approximately 1.3 megawatts growing to approximately 4 megawatts in 10 years at 2025. In my opinion, adding 12 megawatts of AMPGS will not preclude us from additional power resources as they become available.

On August 7th, the members of the PUC met to discuss participation in the AMPGS project. The PUC were presented with all information contained herein. Following discussion, the PUC unanimously recommended participation in the AMPGS project for 12 megawatts of capacity. Attached is a draft ordinance authorizing execution of the power sales contract. As you know, Law Director Severs has been provided a copy of the power sales contract. I would respectfully request that this item be placed on the September 4th City Council agenda for first reading.

cc: Eric Severs, Law Director
Sal Talarico, Finance Director