

August 5, 2009

Mr. Chris Klausner
Black and Veatch, Inc.
11401 Lamar Avenue
Overland Park, KS 66211

RE: Consulting Services Agreement
Initial Data Request

Dear Mr. Klausner:

Enclosed is your original copy of the duly executed consulting services agreement. For your information, we are processing a purchase order in an amount not-to-exceed \$70,000 and we will forward to you shortly. I have reviewed your initial data request and as a first step, I have enclosed copies of various power supply agreements that comprise the majority of the City's power supply portfolio. As you know, the City is a full-requirements wholesale power member of American Municipal Power (AMP), Inc. a wholesale power association with 128 municipal members in six (6) states. Our full-requirements membership is memorialized in the enclosed **"Master Services Agreement"** which contains the general terms and conditions applicable to subsequent agreements or power schedules between the City and AMP and/or other affiliated entities.

The City's power supply portfolio is divided into two (2) basic categories – Pool Power and Non-Pool Power. Non-Pool power resources are resources contracted for on an individual basis. Pool power resources are resources that are shared amongst twenty-one (21) northeast Ohio municipal electric systems. Below is a description of the City's power resources.

Non-Pool Power Resources

Gorsuch Project

The Richard H. Gorsuch Power Station is a 213 megawatt coal-fired power plant owned and operated by AMP and located in Marietta, Ohio on the Ohio River. The plant has four (4) generating units each rated at 53.3 MW. The City entered into a Power Sales Contract dated as of January 1, 1988 (the Power Sales Contract) among AMP, the City, and 47 other municipalities in the State of Ohio. The Power Sales Contract was created in connection with the financing by AMP of its purchase from Elkem Metals Company (Elkem) of a 69.24% undivided ownership interest in the existing coal-fired steam and electric generating facility. On September 1, 1997, Elkem exercised its right to put its 30.76% remaining ownership interest in the Gorsuch Station and certain related contracts to AMP (the Put). The Put became effective September 1, 1999.

Under the Power Sales Contract, a “take or pay” contract the City agrees to purchase 6.695 MW of capacity from AMP (3.52% commitment share as of September 1, 1999). The rates charged under the Power Sales contract for delivery of this power are established by AMP from time-to-time, and are sufficient to generate enough revenue to cover all operation and maintenance expenses incurred by AMP. This includes, but is not limited to, taxes, insurance, fuel costs, engineering, costs to AMP of any electric power purchased for resale, working capital requirements, distribution and transmission services, and 110% of debt service requirements on the Gorsuch Bonds and any additional bonds which AMP may issue (at its sole discretion) with respect to the Gorsuch Station at any time as provided in the Power Sales Contract. For 2008, the demand charge averaged \$11.13 per kw-month and the energy charge averaged \$36.71 per mwh (includes transmission).

Under the Power Sales Contract, as long as AMP delivers any amount (up to a maximum of 6.695 MW of electricity from any source (including power purchased by AMP-Ohio for resale), the City is obligated to take that power (at a load factor by not less than 70%) and pay the prevailing rate (based on the factors discussed above) for the power delivered.

It is expected that Gorsuch Station will be retired in December, 2012.

OMEGA-JV5 Belleville Hydro Project

OMEGA JV-5 was organized by forty-two (42) subdivisions of the State of Ohio. This project consists of the Belleville Hydroelectric Plant and associated transmission facilities, backup generation facilities including contracts for the output thereof and power purchased on behalf of OMEGA JV-5 participants. The Belleville Hydroelectric Plant essentially consists of a run-of-the-river hydroelectric plant designed for a capacity of 42 MW and approximately 25 miles of 138 KV transmission facilities. The plant is located in West Virginia on the Ohio River at the Belleville Lock and Dam. Management services are provided to OMEGA JV-5 by AMP and Municipal Energy Services Agency (MESA). The City has a 3.02% undivided share of ownership of OMEGA JV-5 thereby totaling 1,270 kw. The project also includes 39 MW of back-up generation (natural gas and diesel-fired) located in AMP member communities. In addition, the project includes the annual purchase of replacement power since the project is delivered at 100% capacity factor. Debt service on the plant goes through 2030. Demand charges are \$7.92 per kw-month for O & M expenses and \$20.88 per kw-month for debt service. In 2008, the energy charge was \$18.22 per mwh which includes transmission.

New York Power Authority (NYPA) Hydro Plant

The City receives an allocation of federal hydro power from two (2) projects in New York including the Niagara and St. Lawrence Project. The allocation is based upon the total number of residential meters the City had in 2002. Therefore, the City receives 1.075% of 36 megawatts of firm power provided 20 hours per day (387 kw) and 1.075% of 7 MW of peaking power 4 hours per day (75 kw). In 2008, the demand charge for NYPA was \$9.92 per kw-month and the energy charge was \$19.91 per mwh.

Landfill Gas Project

In 1998, AMP contracted for up to 35 megawatts of landfill gas generation owned and operated by Energy Developments, Inc. (EDI) of Australia. Energy and capacity from this agreement comes from three (3) Ohio methane gas generation sites located at the Lorain County Landfill, the Ottawa County Landfill and Carbon Limestone Landfill in Mahoning County. The three (3) projects provide 24 megawatts of energy and capacity at 100% load factor for \$38.00 per mwh.

The City's share of this project is 645 kilowatts. The contract between AMP and EDI expires in December, 2011. We expect that EDI and AMP will commence negotiations on a new contract sometime in 2010.

OMEGA JV6 Wind Project

OMEGA JV-6 was formed in 2004 by ten (10) AMP member communities. The OMEGA JV6 project consists of four 1.8 MW wind turbine generators located at the Wood County Landfill site near Bowling Green, Ohio. The City has a 3.47% ownership share equating to 250 kw. The project is financed with variable rate bonds based on the six-month Municipal Market Data High Grade Index. \$500,000 in semi-annual principal and interest payments are made on the JV-6 bonds. It is expected that bonds will be paid off in 2019. The demand charge for debt service is \$11.74 per kw-month and 2.26 per kw-month for O & M expense.

Pool Power Resources

In 1990, the City entered into a "Pool Participant" agreement with AMP to participate in a power pool with twenty (20) other subdivisions of the State of Ohio located in the Northeast portion of the state. These municipalities form the Northeast Area Service Group (NEASG). The main purpose of this agreement was to take advantage of a partial requirements tariff negotiated with the Ohio Edison Company (First Energy) to procure and deliver economical and reliable power supply for the NEASG. Under this arrangement, AMP became the City's full requirements provider of electricity with capacity needs first being met by the City's share in the Gorsuch project, secondly through the City's share of NYPA power and thirdly through the Pool Participant agreement.

Per the Pool Participant agreement, pool capacity needs for contract periods of 12 months or less could be filled by AMP without legislative approval of each participant. For contract periods of 12 months or more, majority consent of the NEASG pool members was required. In addition, the City was eligible for "substitute" capacity based on separate periods of peak load growth between 1990 and 2005. The substitute capacity resources could be either AMP resources or internal resources. However, a key provision in the pool participant agreement limited non-pool resources plus substitute resources to 40% of the City's total peak load for the prior year. Currently, the landfill gas and OMEGA JV6 serve as the City's "substitute" capacity resources.

There have been three (3) modifications to the NEASG pool power agreement since 1990 including:

1993 – The first modification to the pool participant agreement was necessary to allow pool participants to take future power supply from the OMEGA JV5 Belleville Hydro project under development by AMP. Without this modification, OMEGA JV5 would have had to first become a pool resource and therefore would have required majority consent of the pool participants.

1997 – The second modification to the pool participant agreement allowed an Economic Development Substitute Capacity provision by permitting pool participants to purchase additional substitute capacity up to 50% of a new customer's load. In addition the second modification authorized the long-term purchases of power supply for the NEASG from Cinergy and LG &E.

2005 – The third modification to the pool participant agreement extended the pool agreement term from 2010 to 2012 when the American Municipal Power Generating Station

(AMPGS) was expected to commence commercial operation. Additionally, it authorized AMP to purchase one or more long-term power contracts with a price cap of \$50.00 per megawatt-hour and a term not to extend beyond 2012 for to provide maximum flexibility for striking market-based power contracts for pool participants until the AMPGS project was on-line.

I have enclosed a copy of the Pool Participant agreement along with the three modification contracts.

Below is a summary of **Pool Power** resources for the City.

OMEGA JV-1 Distributive Peaking Generation Project

OMEGA JV-1 was organized by twenty-one (21) subdivisions of the State of Ohio. Its purpose is to provide 9,000 kW of supplemental reserves of electric power to the participants on a cooperative basis. The participants are all members of NEASG. The participants are charged fees for costs required to administer the Joint Venture and maintain the jointly owned electric plant. Management services are provided to OMEGA JV-1 by AMP. The 9,000 kW of supplemental reserves is provided by six (6) diesel generators located in Cuyahoga Falls, Ohio. The City has a 5.52% (497 kW) undivided share of ownership of OMEGA JV-1. The JV-1 project has no debt. The O&M charge is \$1.30 per kw-month. Energy charges are based on actual fuel costs.

OMEGA JV-2 Distributive Peaking Generation Project

OMEGA JV-2 was formed in 2000 by thirty-six (36) subdivisions of the State of Ohio. Its purpose is to provide distributed generation capacity to its members. Distributed generation facilities total 138.65 MW and consists of thirty-four (34) 1.825 MW diesel generators, one (1) 1.6 MW used diesel generator, two (2) 32.0 MW used gas turbine-generators, and one (1) 11.0 MW used gas turbine-generator. 134.081 MW of OMEGA JV-2 capacity is subscribed for and 4.569 MW is held in reserve. The City has a 0.91% undivided share of ownership in the subscribed portion of OMEGA JV-2 thereby totaling 1.217 MW. The demand charge for debt service is \$1.95 per kw-month and the O&M charge is \$1.08 per kw-month. Energy charges are based on actual fuel costs.

AMP Combustion Turbine Project

In 2003, AMP acquired 142 megawatts of natural gas peaking generation owned by Pacific Gas and Electric Company. The generation is located in three (3) AMP member communities of Bowling Green, Napoleon and Galion. Each site consists of a Westinghouse “301G” 32.22 MW unit and a GE Frame V 15 MW unit. Through a purchase power schedule the City receives 2,500 kw of capacity. The City sells this capacity back to AMP to provide back-up capacity to the Richard H. Gorsuch Station. Once Gorsuch is retired at the end of 2012, this capacity will revert back to the City for use at its discretion. The combined demand charge for both debt service and O&M was \$1.70 per kilowatt-month in 2008. Energy charges are based on actual fuel costs. The contract term for this project is through December, 2022.

2006 Long Term Power Schedule including J. Aron Purchase Power Prepay Agreement

This purchase power schedule which is also the “third modification” to the NEASG Pool Agreement was executed for two basic reasons. The first reason was to provide AMP some flexibility in acquiring up to 75 megawatts of longer-term power supply resources for NEASG Pool members who planned to take power supply from the AMPGS project beginning in 2013.

The agreement provided AMP the legislative authority to enter into power schedules as necessary as long as the price per megawatt-hour remained at or below \$50.00 and contained terms no later than December, 2012. The second reason for this power schedule was to authorize the prepayment of a purchase power agreement with the J. Aron Group, the energy trading subsidiary of Goldman Sachs. AMP had secured a 7 year commitment for power supply from the J. Aron Group for 225 megawatts at a price of \$44.55 per megawatt-hour. The NEASG share of this capacity and energy is 25 MW and the City's share is 1,300 kw.

AMP prepaid for the long-term power supply from J. Aron, by issuing \$307.7 million worth of Electricity Purchase Revenue Bonds. The prepayment resulted in a savings of \$1.18 per megawatt-hour. Goldman Sachs has provided a parental guarantee and is obligated to remedy any J. Aron failure to deliver power or default, including making a termination payment to bondholders. The balance of the contract is marked-to-market daily.

NEASG Miscellaneous Pool Resources (no contracts enclosed)

In addition to the resources I have mentioned above, AMP has also procured other market power purchases for the NEASG pool including baseload, intermediate and peaking resources. I will provide you data on these purchases via email.

Operation of City's Existing Diesel Generators

Through a total of four (4) contracts with AMP and OMEGA JV-5, the City has dedicated 18,000 kW of capacity from the City's existing diesel/natural gas generators for backup, interruptible and peak shaving purposes. In addition to these contractual commitments, the 18,000 kW of diesel/natural gas generator capacity may be used for startup and testing and during emergency situations. The four (4) contracts are summarized as follows:

12,000 kW of Back Up Capacity for OMEGA JV-5. (First Call)

- This agreement was signed with OMEGA JV-5 on May 1, 1993. Through it, the City has dedicated 12,000 kW of capacity for backup to OMEGA JV-5. This capacity can come from the units listed in Table No. 1 or their substitute or replacement. The City was paid a \$2.75/kW prepayment for this capacity. In addition, the City receives a monthly payment of \$0.3572/kW increasing 3% per year. For all energy generated under this contract, the City receives fuel cost plus \$2.85 per MWH increasing 3% per year. The termination date of the agreement is May 31, 2009. The City shall not operate the dedicated capacity other than for OMEGA JV-5 except for (1) start up and testing; (2) emergency situations; and (3) for second call to peak shave for NEASG. This agreement expires in December, 2010 and AMP has verbally advised that this agreement will not be renewed.

12,000 kW of Peak Shaving Capacity for NEASG Pool (Second Call)

- This agreement was signed with AMP on June 1, 1993. In this agreement, the City has dedicated 12,000 kW of capacity for peak shaving for NEASG on a second call basis subordinate to being used as backup capacity for OMEGA JV-5. This capacity can come from the units listed in Table No. 1 or their substitute or replacement. The level of capacity may be changed by mutual agreement of both parties. The City is paid \$2.00/kW per month for this capacity. In addition, the City receives a monthly payment of \$0.3572/kW increasing 3% per year. For all

energy generated under this contract, the City receives fuel cost plus \$2.85/MWH increasing 3% per year. The termination date of the agreement is May 31, 2009. The City shall not operate the dedicated capacity other than for NEASG except for (1) start up and testing; (2) emergency situations; and (3) for first call for backup capacity for OMEGA JV-5. The agreement is co-terminus with the OMEGA JV-5 backup agreement; however, either party may cancel the agreement by giving a twelve (12) month notice.

1,000 kW of NEASG Interruptible Capacity

- This agreement is with AMP and was signed June 20, 1997. NEASG members may designate an interruptible load level. When AMP-Ohio requires interruption of this load, the NEASG member may purchase supplemental capacity from AMP-Ohio's available units. The City has designated 1,000 kW of generating capacity to be used as interruptible capacity. This capacity comes from generation above 12,000 kW. If AMP-Ohio requests an interruption and Oberlin is generating 13,000 kW, then the City would not be responsible for paying for any of the energy charge provided from the Supplemental Capacity. If this situation occurs during NEASG peak hour, then the City's billing load would not be reduced because the interruptible load is already interrupted. This agreement may be terminated upon thirty (30) day notice by either party.

5,000 kW of Additional NEASG Peaking Capacity

- This agreement was entered into with AMP in 2001. Through it, AMP-Ohio purchased 5,000 kW of peaking capacity from the City for the period of June 1, 2001 through May 31, 2011. Capacity charge for the 5,000 kW is \$5.00/kW/Month. For all energy supplied under this contract, the City receives fuel cost. In 2003, the City also receives \$0.0023175/kWh. This fee escalates 3% per year thereafter.

As a result of these four (4) agreements, the diesel generators owned by OMLPS are in essence dispatched by AMP. In return, AMP purchases fuel for the diesel generators and the City receives capacity and energy payments. These payments are included as credits on the City's purchased power bills from AMP.

Network Transmission Service and Northern Power Pool Agreement

In 1997, AMP negotiated a settlement agreement with First Energy which allowed AMP to enter into a Network Transmission Service (NTS) agreement with First Energy under the provisions of First Energy's Open Access Transmission Tariff. The NTS provides the NEASG pool as well as the Northwest Area Service Group (NWSAG) pool (14 municipal electric systems in the northwest part of the State) with combined transmission services. The NTS provides many benefits including the coincidental metering within a larger pool of municipal electric systems, elimination of a regulation capacity penalty, a reduction in dump energy, enhanced dynamic scheduling, better utilization of pool resources and elimination of minimum transmission demand for the NEASG. In order to take advantage of these transmission benefits, the Northern Power Pool was formed.

Future Power Purchases

AMP Hydroelectric Projects

AMP is proceeding with the development and construction of three (3) new hydroelectric projects to be constructed on existing locks and dams on the Ohio River. The Cannelton (Indiana), Smithland (Kentucky) and Willow Island (West Virginia), hydroelectric projects will provide base load power for the organization's member utilities and further expand the renewable generation resources operated by AMP. The three (3) proposed facilities will have a combined generation capacity of 206 MW.

The first project will be located at Cannelton locks and dam near Cannelton, Indiana and will be a three (3) unit plant with a capacity of 84 MW. The second project project, located on the Kentucky shore at the Smithland locks and dam in Livingston County, Kentucky, will be a three (3) unit plant with 76 MW of capacity. The third project will be located on the West Virginia shore at the Willow Island locks and dam, near St. Mary's West Virginia and will include a two unit powerhouse with an estimated generation capacity of 44 MW. The use of conventional bulb turbine technology will be used for all three sites and operation is scheduled to commence by 2013. In December, 2007, the City executed a take or pay contract for 2,600 kilowatts of capacity and energy from the AMP Hydroelectric Projects.

AMP is in the process of revising the feasibility study for these projects to include the most recent cost estimates. In the meantime, I have included a very brief overview of the projects (includes information on future hydro projects under development by AMP but not subscribed by AMP members) along with a copy of the hydro contract.

Wind/Solar/Biomass

As discussed, the City may have opportunities for other renewable resources such as wind, solar and biomass. I will need some additional time to prepare and assemble this information.

Power Supply Plans

I have enclosed two (2) power supply studies prepared on behalf of the City by R.W. Beck and Concentric Energy Advisors.

R.W. Beck Power Supply Plan

In late 2006, AMP contracted with R.W. Beck to develop a long-term power supply plan for each AMP 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. The power supply indicates power resource additions we should consider during the planning period from 2008 through 2027 to minimize expected power supply costs.

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%.

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.

Capacity Additions

In developing the power supply plan, R.W. Beck assumed that the City could participate in “slices of future generating resources equal to 15% of the City’s 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, the City’s peak demand projected for 2027 is 39.4 megawatts which translates into future slices of generation capacity of 5.9 megawatts. R.W. Beck 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 minimized expected future power supply costs. The “RPS” plan assumed that each participant would be required to fulfill 10% of their energy requirements with renewable resources by 2015. The RPS plan assumed 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 were not included.

Concentric Energy Advisors – Feasible Base Load Generation Alternatives

As your aware, the City participated in a six (6) year study with 85 AMP, Inc. member municipal electric systems to assess the development of a new base-load generation facility to replace a majority of the City’s existing base load resources. Ultimately, this process resulted in the proposed construction of the AMPGS project. As a result, the City was faced with a decision to enter into a 50 year power supply contract to take nine (9) megawatts of base load power supply from the proposed AMPGS project.

In consideration of the environmental impacts resulting from continued use of coal-fired generation, in particular, CO2 emissions, the City, in collaboration with Oberlin College, contracted with Concentric Energy Advisors of Marlborough, Massachusetts to evaluate **non coal-based** power supply and conservation alternatives to serve the City’s future base-load power requirements vs. participation in the AMPGS project. The goal of the study was to provide the City’s legislative representatives (Oberlin City Council) with an analysis of price competitiveness and technological availability of renewable or lower emissions power supply alternatives for base-load power supply requirements beginning in 2013 and continuing for the next 40 years. The study results would assist Oberlin City Council with a final decision on participation in the AMPGS project.

The study included the following scope of work activities:

- A review of the City’s current power supply portfolio including contractual arrangements, financial results, termination dates, etc.

- A review of all AMPGS project analysis data related to the cost projections including; but not limited to,
 - Initial Project Feasibility Study
 - Long Term Power Supply Planning Study
 - Beneficial Use Analysis
 - Estimates of greenhouse gas emissions and uncertainties based on carbon taxes, carbon caps and/or carbon sequestration requirements.
- An analysis of credible and viable non coal-based power supply alternatives to serve City's base-load future power supply needs including; but not limited to, the following technologies:
 - Natural Gas Combined Cycle
 - Hydro
 - Wind
 - Bio-mass
 - Bio-gas
 - Integrated Gasification Combined Cycle.
- Brief technology analysis illustrating base-load capabilities of each non coal-based power supply alternative.
- Preliminary or indicative pricing for non coal-based power supply alternatives.
- An analysis of potential energy efficiency and demand-side management programs with demonstrable results in reducing need for base-load, fossil-fueled power resources. We seek examples of financial incentives and other policy mechanisms that have resulted in quantifiable reductions in base-load demand.
- Research and identification of collaborative opportunities with power producers, power marketers, etc., to develop and/or participate in non coal-based power supply alternatives.
- Develop models of alternatives to City's current energy supply portfolio with future cost, risk and regulatory analyses.
- Preparation of final study report with results presented to local officials, City staff and Oberlin College.

The study was completed in February, 2008 and presented to Oberlin City Council in March of 2008. Some key findings of the study included:

- An alternative base load power supply could be reasonably created using a combination of renewable resources such as wind, bio-gas, hydro and demand side management activities.
- Implementation of aggressive demand side management programs could have a reasonable potential savings of approximately 12% in peak demand and 7% energy consumption by 2020.
- AMPGS project had a relatively high exposure to uncertainty surrounding future CO₂ emission costs vs. other resources.

Based on the study results and other considerations, Oberlin City Council decided to not participate in the AMPGS project.

Demand Side Management

The City has a variety of low cost, simple energy efficiency measures that it offers its residential and small commercial electric customers including heat loss inspections, compact fluorescent bulb give-a-ways, lighting audits, etc. However, the City does not measure or track energy savings associated with these measures. In addition, the City offers industrial assessments and energy audits through a partnership with AMP called "Direct Connections". Again, the City does not measure or track any energy savings associated with this effort.

To help Ohio municipalities implement and manage an energy efficiency program, AMP is currently developing a municipal-member electric energy efficiency program in collaboration with the Vermont Energy Investment Corporation (VEIC). VEIC, founded in 1986, has extensive experience in energy efficiency program analysis, design and implementation with clients in 25 states. VEIC runs "Efficiency Vermont", the nation's first statewide provider of energy efficiency services. For more information on VEIC, visit their website at www.veic.org. This efficiency effort would be designed to place AMP municipal member systems like Oberlin in the top-tier nationally in terms of energy savings. To be a national leader, AMP, Inc. would seek to achieve a goal of 1 percent annual energy savings for members after a three-year start-up phase commencing in 2010. Achieving a goal of 1 percent annual energy savings would mean that the City would cut their current load growth rate in half on average. A menu of energy efficiency programs supported by AMP and VEIC staff would be offered to all customer classifications and would include a variety of financial incentives to customers who participate in the program. The ultimate goal of this program is to construct an "Efficiency Power Plant" resulting in low cost power supply, zero emissions, no environmental impacts or risk, no construction risk, no fuel risk, etc.

This completes my first response to the data request. I am available at your convenience to answer any questions about the attached documents or information I have provided. I will continue to work on other data request information you have requested and will forward to you as soon as possible.

Thank you.

Sincerely,

Steve Dupee
OMLPS Electric Director

/sd