



MEMORANDUM

TO: Common Council
FROM: *PA*
Pamela A. Captain
SUBJECT: WPPI Transaction
DATE: April 14, 2011

On April 6, 2011 the WPPI transaction closed. Due to the complex nature of the transaction and the many contingencies that WPPI required under the asset purchase agreement, some of the contingency time completion requirements have been extended beyond the date of closing. For example, there must be a final, non appealable order in the federal class action lawsuit before any funds will be released for purposes of the Settlement Agreement. The transfer of the ATC interest from the City to WPPI will not be completed until late May since there is a 45 day notice of transfer requirement prior to ownership transfer. The City has not yet reached an agreement with the U.S. Environmental Protection Agency to resolve all outstanding alleged claims regarding the operation of the steam facility.

Gross proceeds from the sale of the electric utility assets to WPPI were **\$18,300,004.33** based on net book value of the assets as of 12/31/2010, book value of American Transmission Company LLC interests of \$2,739,450.00 as of April 1, 2011 and the additional proceeds amount of \$2,238,069.05 (asset purchase agreement). Of the total gross WPPI proceeds, **\$17,450,000** was deposited into an escrow account representing a portion of the settlement amount under the Settlement Agreement with plaintiffs in the federal class action lawsuit. When and if the remaining WPPI contingencies are satisfied, then the funds will be transferred to the settlement fund escrow in the federal securities lawsuit for distribution in accordance with the terms set forth in the Settlement Agreement. The remaining monies, **\$850,004.33**, were used to fund the Lease Payment Reserve fund (\$591,946) and to defease the electric debt (\$258,058.33).

The total amount of the state trust fund loan needed for the water debt was **\$2,880,852.44**. These funds have been set aside in a federal government escrow-like account, or SLGS account. These bonds cannot be paid off immediately as the call date is in 2017. The state trust fund loan will be paid by the water utility as it represents a refinancing of the water portion of the combined water/electric debt that under the terms of the WPPI agreement was required to be defeased or otherwise refinanced.

Below shows the detail of the defeasance of the combined electric and water utilities debt:

Source of Funds	Combined	Electric	Water
Debt Service/Reserve Funds	\$1,422,703 .00	\$974,221.00	\$448,482.00
Cash on Hand/WPPI	\$384,526.56	<u>\$384,526.56</u>	
Required from State Trust Loan	<u>\$2,880,852.44</u>		<u>\$2,880,852.44</u>
Total Source	\$4,688,081.97	\$1,358,747.56	\$3,329,334.44
Application of Funds			
Deposit to Escrow	\$4,629,381.97	\$1,345,492.56	\$3,283,889.44
Cost of Issuance	<u>\$ 58,700.00</u>	<u>\$ 13,255.00</u>	<u>\$ 45,445.00</u>
Total Application	\$4,688,081.97	\$1,358,747.56	\$3,329,334.44

The closing documents are voluminous and will be available for review in the office of the city clerk or at Menasha Utilities.

Also on April 6, 2011, the Public Service Commission of Wisconsin considered and approved the City's and WPPI Energy's request to extend the time period for consummation of the WPPI transaction to April 6, 2012. This request was made as a precautionary measure since all steps necessary to conclude the class action lawsuit may take up to a year.