



Date: January 14, 2016

To: Menasha Utilities Commission
Menasha City Council

From: Melanie Krause, General Manager

RE: WPPI Long Term Power Supply Contract Extension

WPPI Energy is a joint action agency serving 51 Member communities for power supply and customer energy services. WPPI Energy is requesting all of its Members to approve an amendment to the Long Term Power Supply Contract. This amendment extends the term by 18 years, currently the contract term goes through December 31, 2037. This contract extension to December 31, 2055 enables WPPI Energy to invest in power plants and other resources as well as have the ability for the financing costs to be spread over the life of the assets for the long term benefit of its Members. Currently the contract terms are limiting WPPI's ability to take on long term power supply options for the benefit of its Members.

In July and August the Utility provided to the Commission, as well as the Council, an explanation of the extension process, background on WPPI Energy, services that we utilize in addition to power supply from WPPI Energy, alternative power supply approaches, and copies of the contract. These documents are available on the City website from the meeting if you need another copy. Mike Peters, CEO/President of WPPI Energy, presented at a Joint Meeting on August 5 the "Power of Many" which included the following highlights:

- The background of WPPI Energy and its diversified and flexible power supply
- Industry issues, changing technology and customer expectations
- Staying stronger together with stable rates, financial strength, broad selection of services and programs and voice on issues affecting the industry
- Long Term Power Supply contract extension

Since the meeting in August the Utility has been working through the process with the Commission and engaged Quarles and Brady to review the contract and amendment as part of our due diligence and answer the concerns that were raised with extending the contract out until 2055. Those same questions that were provided to Quarles and Brady were also presented to WPPI Energy and they responded to them as well. As summarized by Quarles and Brady, the documents support that the contract is drafted to protect the joint enterprise created by, and for the benefit of the municipalities. All WPPI Energy Members are treated on an equivalent basis under the same agreement. As of the date of this memo 43 Member communities have approved the amendment to extend the contract term.

The following documents are included with this memo and are important pieces to approving the amendment to the contract:

- Quarles and Brady letter on the review of the contract and response to the questions
- WPPI memo and the response to the questions
- Amendment No 2 to Long Term Power Supply
- Resolution of the Menasha Utilities Commission to approve amendment
- Resolution of the City Council to approve amendment
- Opinion Letter to WPPI from the City Attorney

Menasha Utilities has been a charter member of WPPI Energy for 35 years and this has provided us with reliable and competitively priced power supply, control over the decisions of WPPI Energy, hosted software and services, access to energy service and technical staff, and support of energy and conservation programs and incentives. The benefits of this joint enterprise extend far beyond just power supply and are extremely valuable to Menasha Utilities given the size of our customer base.

Menasha Utilities has provided this community with low cost power and services compared to our neighboring communities and those power costs are a direct pass through from our power provider. We would like to continue to provide this community with power and services for the next 40 years through WPPI Energy and recommend proceeding with the contract extension.



December 8, 2015

To: Melanie Krause
General Manager
Menasha Utilities

From: Juan Carlos Espinoza-Forlenza

Re: Extension via Amendment of Long Term Power Supply Contract with WPPI Energy

I. BACKGROUND.

WPPI Energy (“WPPI”) has asked each of its members to approve an amendment (the “Amendment”) to their existing Long Term Power Supply Contract (“Power Supply Contract”) with WPPI. Among other things, the Amendment would extend the expiration date of the Power Supply Contract to December 31, 2055 from its current expiration date of December 31, 2037. Menasha Utilities has asked us to review the Amendment in light of the current Power Supply Contract and to respond to a list of questions from members of its Utility Commission.

II. SUMMARY.

WPPI is a “municipal electric company” formed pursuant to a specific provision of Wisconsin law (Section 66.0825) that allows municipalities that operate electric generating, transmission or distribution facilities to contract with one another to form a “municipal electric company” for purposes of joint development of energy resources for the mutual benefit of the contracting municipalities. In addition to receiving power from WPPI, each member also appoints one person to the Board of Directors which governs WPPI. As such, members have a dual relationship with WPPI -- they are both individual customers of WPPI and have collective control over the decision making of WPPI. Understanding this dual relationship helps inform the way in which the Power Supply Contract works. The contract is drafted to protect the joint enterprise created by, and for the benefit of, the contracting municipalities. Individual members give up a measure of flexibility in their individual Power Supply Contracts, allowing WPPI to do what it needs to do to secure energy supplies for the contracting municipalities as a group.

III. DISCUSSION.

The following is a list of questions supplied by members of the Menasha Utilities’ Utility Commission with brief answers based on my review of the proposed amendment and the Power Supply Contract.

Q1: With the long term outlook and changes in the industry is there flexibility in the contract to adjust for change?

A1: The Power Supply Contract does not itself provide for much flexibility. The contracts are designed to provide WPPI commitments from each individual member that WPPI can then rely on, collectively, to enter into long term bond financing arrangements and power purchase agreements. Because it is the member commitments that allow WPPI to enter into long term arrangements, the Power Supply Contracts are designed to provide security for these long term arrangements instead of flexibility to individual members. While the Power Supply Contract may not have much flexibility, the members do collectively control the governing body of WPPI and can exercise flexibility through joint action.

Q2: Are the terms usual and customary? Do the terms share in risk and benefits? Is it advisable to enter into a contract for this length of time?

A2: The dual nature of the relationship with WPPI, in which members individually are customers, but collectively govern WPPI, makes it difficult to compare this contract with others and to say what is "usual and customary." Outside of the "public power" context, there just aren't many other contracts like this, especially not in the energy sector in Wisconsin.

Whether it is advisable to enter into a contract for this length of time is difficult to answer and is as much, if not more, of a business decision than a purely legal one. It is difficult to predict or forecast what will happen in the energy industry in the next five (5) years, let alone twenty (20) or thirty (30) years from now. While Menasha Utilities can't know, or control, what the future will bring for the energy market, it can look to a couple of things to inform its decision on how to address future risk -- (i) its history with WPPI in relation to this contract, and (ii) its ability to impact decisions made by WPPI's governing body going forward.

Q3: There are inherent risks with any option for power supply whether its WPPI, GLU or IOU. Given the contract provisions of WPPI agreement does there appear to be more or less risks vs. benefits.

A3: In many ways, this too is more of a business question than a purely legal one. Answering this question depends on such things as how Menasha Utilities values the ancillary services available to it as a member of WPPI, or, more generally, how it values the concept of public power and joint action, all of which go beyond the narrow scope of the contract itself.

Consideration should also be given to any other agreements Menasha Utilities is a party to (e.g. lease back arrangement with WPPI) that may contain additional obligations / restrictions that are relevant to this question.

Q4: In Section 9 are termination provisions and are these provision equal for both parties and what risks are involved if either entity ceased operation. How to determine the risk to the Member for the debt of WPPI if all members do not renew?

A4: The termination provision is at least nominally intended to be equal for both parties - at the end of the initial term, either party may terminate on five (5) years' notice. In reality, the termination provision is primarily designed to protect WPPI from being caught short i.e. having insufficient revenues from power sales to repay obligations under its long term financing and

power purchase agreements. As discussed above, WPPI's ability to enter into long term arrangements for financing and for power purchases relies on the individual commitments made by members in their Power Supply Contracts. To provide security for those long term commitments, the Power Supply Contract prohibits each member from terminating its agreement while any power supply or secured bond financing commitments are outstanding.

Whether all members renew should have no impact on member risk for the debt of WPPI. Under the Power Supply Contract, a member is prohibited from terminating the contract while bonds secured by the revenues of such Power Supply Contract are outstanding. If WPPI intends to issue bonds that would go beyond the initial term, it is obligated to notify the members, and then each member has the opportunity to provide a notice of termination. If such notice of termination is given, WPPI may not pledge the revenues from the Power Supply Contract of the terminating member as security for any bonds issued after receipt of such notice. WPPI bond financing debt is, and has to be, aligned with Power Supply Contract revenues that enable WPPI to meet its long term bond financing obligations.

Typical contract remedies would apply here, as they would in all cases, if one party ceases operation and, thereby, fails to meet its obligations under the contract. Whether additional obligations would accrue would likely involve a review of the membership agreement between Menasha Utilities and WPPI which is beyond the scope of this review.

Q5: Section 12 discusses the assignment of the contract and what is the level of risk to the Member?

A5: There should be little to no risk to the member under the assignment provision. Neither party can assign its interest in the Power Supply Contract without the other party's consent except that: (i) Menasha Utilities can assign its interest in the contract to a third party in connection with a sale or lease of all of its electric system (provided such sale or lease meets the requirements of Section 8(b) of the contract) and (ii) WPPI can assign or pledge its interest in the contract without consent in connection with its bond financing. The assignment of the contract by WPPI to its bond creditors just means that such creditors can "step into the shoes" of WPPI with respect to the Power Supply Contract should WPPI default under its bond financing. Such an assignment, by itself, would not mean that the members would become obligated for WPPI's debts.

Q6: In regards to the Section 2(a) is the contract demand provision for any purpose and does this provide for the ability to generate a portion? For generation purposes does this then fall to provision 2(b) for approval of Other Sources? If a Member would want to pursue generation more seriously are provisions flexible enough to allow for this?

A6: Yes, the Contract Demand provision in Section 2(a) of the Power Supply Contract is for any purpose. Section 2(a) works as an exception to Section 2(b) which otherwise restricts members from obtaining power and energy from any source other than WPPI. Under Section 2(a), a member may purchase or self-generate any portion of the load above the capped Contract Demand amount. WPPI's consent would be needed to pursue additional generation.

Q7: In regards to Section 4 (b) we would like a better understanding of the meaning and the general obligation to the Member.

A7: Section 4(b) is intended to clarify the member's obligation to pay WPPI. Specifically, the provision states that payments shall come from the revenues of the member's electric utility system (or integrated utility system, if applicable). Neither WPPI, nor any other party (e.g. WPPI's creditors), is entitled to look to other revenues, monies or properties of the member for payment, and the obligation to pay shall not be a "general obligation" of the member, nor shall the member have to make payments from tax revenues or impose any new tax.

Q8: Under statute 66.073 and how WPPI is structured would they be able to sell retail to customers inside or outside of the service territory?

A8: Section 66.0825(6)(g) says that a "municipal electric company" may not sell power and energy at retail within a member's service area unless requested to do so by the member. Section 66.0825(9) says that a municipal electric company may sell excess power and energy that's not required by any of its contracting members to any person on the terms decides.

Read together, these two provisions provide that WPPI may not sell power and energy inside a member's service territory unless requested to do so by the member, but may sell excess power and energy outside a member's service territory at any time.

Q9: In section 1 it discusses the board of directors and each member has a seat on the board and can exercise weighted voting if there is the need. Are there concerns or risks with members that vary in size greatly and may have different interests?

A9: Section 66.0825 of the Wisconsin Statutes just says that each member gets to appoint one person to WPPI's Board of Directors. Any considerations relating to weighted voting would involve the membership agreement between Menasha Utilities and WPPI which is outside the scope of this review.

WPPI Energy

Responses to Menasha Long Term Power Supply Contract Questions

WPPI provides the following summary responses to the written questions you provided to us on November 16, 2015. At your request, we have kept our responses to four pages. If these responses do not provide the level of detail you would like, or if you have other questions, we will be happy to respond more comprehensively. We can also be available at your convenience to discuss in person.

1. With the long term outlook and changes in the industry is there flexibility in the contract to adjust for change?

Per the Long Term Power Supply Contract (LTPSC), WPPI meets the generating needs of all of its members on the same non-discriminatory basis and at the same rates. The LTPSC accommodates changes in member generation needs such as the addition or loss of large customer loads. WPPI has a very flexible power supply portfolio with a mix of long term, medium and short term resources, utilizing nuclear, natural gas, coal, wind, hydro, biofuels and solar. This flexibility allows WPPI to react to changes in customer loads, and industry changes such as increased customer-owned generation and deregulation, as well as regulatory initiatives like the clean power plan.

2. Are the terms usual and customary? Do the terms share in risk and benefits? Is it advisable to enter into a contract for this length of time?

Over forty of WPPI's members have already taken the necessary action to approve extension of the LTPSC until 2055. The terms of the LTPSC are consistent with the terms of long term contracts other municipal utilities have with their joint action agencies, including the length of the contract (40 years if extended). For example, Indiana Municipal Power Agency members have 50 year contracts. Missouri River Energy Services members signed sixty year contracts. Southern Minnesota Municipal Power Agency members signed 49 year contracts. Great Lakes Utility (GLU) members signed 25 year contracts.¹

The reason joint action agencies' contracts with their members are similarly structured is because they all provide the basis for the joint action agency to issue long term revenue debt to fund generation and other projects for their members. The LTPSCs serve as security for WPPI's bondholders who want to be assured that if they provide WPPI funds to build projects, WPPI will have the revenue over the life of the outstanding bonds to repay them. Joint action agencies typically issue 30 year debt to match the long lives of the projects built with the proceeds. The lives of members' contracts therefore need to be as long as or longer than the term of a joint action agency's debt. The remaining life on WPPI's existing contracts is about 22 years. By

¹ GLU's contracts are a bit shorter, but GLU has not issued any debt to build generation projects. If it does, the contract commits its participating members to extend the length of their contracts in order to match the term of the debt, which is typically 30 years.

extending to 40 years, WPPI will have ten years of flexibility to pursue long-term resources before again seeking another extension.

3. There are inherent risks with any option for power supply whether its WPPI, GLU or IOU. Given the contract provisions of WPPI agreement does there appear to be more or less risks vs benefits?

Membership in WPPI and the LTPSC gives members the greatest ability to manage their power supply risks and benefits of all the options available to the members. If a member takes power from an IOU, its ability to influence power supply decisions does not directly exist, and the member's interests (minimize power costs) and the IOUs fiduciary duty to its stockholders are inherently at odds in many cases. At the time WPPI was formed, its members largely took power from the IOUs. Members (including Menasha) created WPPI because they considered it a significant detriment to be served by IOUs. The members committed significant time and resources to free themselves from the IOU wholesale purchase model. They created WPPI as a not-for profit utility governed by its members, all of which have the same interests and ability to direct and influence decisions. WPPI's wholesale rate to all of its members, which includes valuable services that would not be provided under IOU contracts or from GLU, has been lower than the weighted average cost of the IOU wholesale rates over the past 20 years.

4. In Section 9 are termination provisions and are these provisions equal for both parties and what risks are involved if either entity ceased operation. How to determine the risk to the Member for the debt of WPPI if all members do not renew?

The provisions are equal. Specifically, Section 9 of the LTPSC provides that the agreement ends in 2037. Either party can terminate the LTPSC on five years' notice after 2037, and neither party can be compelled to extend the agreement if it does not wish to. Currently, WPPI has no debt or generation purchases extending beyond 2037, and therefore there is no change in risk to Menasha, or any other member, if all members do not renew.² All members will continue to be served through 2037, and for those members that extend, 2055.

With respect to risks if either party ceased operation, WPPI could not cease its operations while its obligations to members and bondholders are outstanding. If WPPI stopped meeting its obligations to members under their LTPSCs or failed to pay its debts, the trustee for WPPI's bondholders would assume control of WPPI and continue to operate the system through the life of WPPI's bonds, currently 2037. Bondholders could only repay themselves after WPPI meets its obligations to members under their LTPSCs.

Under the LTPSC, members have agreed not to sell, lease or dispose of their utility if doing so would cause harm to WPPI or its other members. This commitment provides each member with

² While the term of the LTPSC could be extended if WPPI issued debt or entered into generation purchases extending beyond 2037, a member could choose to decline the extension.

the assurance that all of the other members will continue to be a part of WPPI and continue to contribute to the payment of WPPI's obligations entered into on their collective behalf. The commitment also provides the necessary security to WPPI's bondholders that there will be a sufficient source of revenues from members (and ultimately their retail customers) for WPPI to repay all of its debt. As discussed in response to Question 5 below, members have made a similar commitment with respect to assignment of the LTPSC.

5. Section 12 discusses the assignment of the contract and what is the level of risk to the Member?

Section 12 of the LTPSC is designed to ensure that each of WPPI's members will continue to own and operate its utility for the full term of the LTPSC. Thus, if a member wishes to assign its contract, Section 12 provides that such assignment cannot adversely impact WPPI or its other members. This provides security for all members as discussed in the response to Question 4.

6. In Regards to the Section 2(a) is the contract demand provision for any purpose and does this provide for the ability to generate a portion? For generation purposes does this then fall to provision 2(b) for approval of Other Sources? If a Member would want to pursue generation more seriously are provisions flexible enough to allow for this?

Section 2(a) of the LTPSC gives each member the right on five years' notice to cap its purchases from WPPI at the average of the member's monthly peak demands during the two years preceding implementation of the cap. The member would then self-supply its generation needs above the cap from resources the member owns or builds, or for which it contracts. The member would not need WPPI consent under Section 2(b) for those resources above the cap.

With regard to the consent provisions of Section 2(b), WPPI has a written policy by which it may consent to member ownership of local emergency standby projects and local renewable projects not exceeding 1 megawatt. Members have these options regardless of whether they exercise the contract demand option described above.

7. In regards to Section 4 (b) we would like a better understanding of the meaning and the general obligation to the Member.

Member payments to WPPI for services under the LTPSC come from the Members' utility revenues; payments for WPPI services are not general obligations or liabilities of the municipality. Generally, members that have issued their own utility revenue bonds for local projects have covenanted to their bondholders that they will use utility revenues to first pay all operating and maintenance expenses of their local utility system before using utility revenues to pay their utility debt. Section 4(b) of the LTPSC recognizes this fact, and consistent with this allocation of member utility revenues, confirms that payments to WPPI for services under the LTPSC constitute operating and maintenance expenses and will be paid before member debt. This payment structure provides consistency with member's obligations to their own bondholders, and provides comfort to WPPI's bondholders that WPPI is a good credit risk,

resulting in lower borrowing costs for WPPI projects, and ultimately lower power costs to members.

8. Under statute 66.073 and how WPPI is structured would they be able to sell retail to customers inside or outside of the service territory?

Section 66.073 of the Wisconsin Statutes is now numbered as 66.0825. It provides that WPPI "may not sell power and energy at retail unless requested to do so by a municipal member within the service territory of the municipal member." See § 66.0825(6)(g). In other words, in order for WPPI to provide retail service, a member would have to ask it to do so, and WPPI would have to agree. To date, WPPI has never been asked by a member to provide retail service, and has never offered to do so.³

9. In section 1 it discusses the board of directors and each member has a seat on the board and can exercise weighted voting if there is the need. Are there concerns or risks with members that vary in size greatly and may have different interests?

WPPI makes every attempt to operate on a consensus basis, and strongly prefers not to act on any matter that does not have strong support of all or virtually all of its members. As a result, in WPPI's history, no member has ever requested a weighted vote on any matter before the board. However, each member has the right to do so for any matter before the board (other than election or removal of WPPI officers or committee members). If such a request is made, the matter must be approved by both a straight vote and a weighted vote to become effective. This bicameral structure serves both small and large members in the same way that a bill before congress must pass both the House of Representatives and the Senate to become a law.

³ While WPPI can sell excess power and energy not required to serve its members, those sales may be made at wholesale only.

**AMENDMENT NO. 2 TO LONG TERM POWER SUPPLY CONTRACT
FOR PARTICIPATING MEMBERS**

This Amendment No. 2 to Long Term Power Supply Contract for Participating Members (this "Amendment"), dated as of _____, 20__ (the "Effective Date"), is made by and between WPPI Energy, a municipal electric company formerly known as Wisconsin Public Power Inc. ("WPPI"), and the City of Menasha (the "Member"). WPPI and the Member are sometimes referred to in this Amendment individually as a "Party" and collectively as the "Parties".

RECITALS

A. The Member is a member of WPPI and, like all other Participating Members, takes long-term all-requirements electric service from WPPI pursuant to a long term power supply contract (each, a "Long Term Contract").

B. In this Amendment, the term "the Member's Contract" refers to the Long Term Power Supply Contract for Participating Members between WPPI and the Member dated as of July 18, 1989, as amended by that certain Amendment No. 1 to Long Term Power Supply Contract for Participating Members between WPPI and the Member dated as of October 7, 2002.

C. The current term of the Member's Contract and each other Long Term Contract will expire immediately following December 31, 2037.

D. WPPI's revenues under the Long Term Contracts have been pledged to secure the bonds issued by WPPI to finance ownership of WPPI's generating units and transmission assets, including Boswell 4, South Fond du Lac Units 1 and 4, the Elm Road Generating Station and the CapX2020 La Crosse Transmission Project.

E. It is necessary that Participating Members extend the existing terms of the Long Term Contracts in order to enable WPPI to plan for, obtain, contract for, purchase and finance new long term power supply resources, including, but not limited to, new generating plants.

F. The Member desires that WPPI be able to secure and finance new long term power supply resources so that WPPI is able to continue serving the Member and all other Participating Members reliably and at competitive and stable rates under the Long Term Contracts over the long term, and WPPI wishes to be able to make new long term commitments in order to be able to do so.

G. The Parties desire to further amend the Member's Contract on the terms and conditions set forth in this Amendment, to, among other things, extend the term of the Member's Contract.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals that are incorporated into and made a part of this Amendment, the promises contained in this Amendment and the Member's Contract and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties agree as follows:

1. Definitions. All capitalized definitional terms used but not otherwise defined in this Amendment shall have the meanings given to those terms in the Member's Contract.

2. Name; References.

(a) The name "Wisconsin Public Power Inc." in the introductory paragraph of the Member's Contract is hereby changed to "WPPI Energy".

(b) Section 1 of the Member's Contract is hereby amended so that the definition of "WPPI" is deleted and replaced in its entirety with the following:

"WPPI" shall have the meaning given to this term in the introductory paragraph of this Contract.

3. Initial Term and Termination. The first sentence of Section 9(a) of the Member's Contract is hereby deleted and replaced in its entirety with the following:

This Contract shall take effect upon the date first written above and shall remain in effect for an initial term that ends at midnight on December 31, 2055, and thereafter until terminated by notice as provided in this subsection (a).

4. Rates and Charges. The second sentence of the third paragraph of Section 3 of the Member's Contract is hereby deleted and replaced in its entirety with the following:

With the exception of different rates and charges for a new Participating Member under its specific Long Term Power Supply Contract for Participating Members, as permitted by the Contract for the Establishment and Operation of WPPI, WPPI's rates and charges shall be set on a uniform postage stamp basis as to all production and transmission costs for all Participating Members; provided, however, that the rates and charges may vary between Participating Members to reflect differences in delivery voltage level and delivery facilities costs and may contain ratchets, load factor requirements and other provisions which affect all Participating Members or only Participating Members which obtain a portion of their requirements from any other source.

5. Effective Date. This Amendment, upon execution by the Parties, shall take effect as of the Effective Date, provided however, that if, by March 31, 2016, less than thirty-four (34) Participating Members have executed an amendment extending the terms of their respective Long Term Contracts to midnight on December 31, 2055, this Amendment shall be null and void and shall have no force and effect. Prior to May 1, 2016, WPPI shall certify in writing to each Participating Member that has executed such an amendment (including the Member) whether this threshold has been met.

6. Conflict. In the event of conflict between the provisions of the Member's Contract and the provisions of this Amendment, the provisions of this Amendment shall control.

7. Full Force and Effect. Except as specifically set forth herein, no other amendments to the Member's Contract are being made between the Parties, and all other provisions of the Member's Contract remain in full force and effect.

8. Execution and Delivery. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, WPPI and the Member have duly approved and executed this Amendment as of the Effective Date.

WPPI ENERGY

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

CITY OF MENASHA

By: _____
Mayor

By: _____
City Clerk

By: _____
President, Menasha Water & Light Commission

Michael Peters
President and CEO
WPPI Energy
1425 Corporate Center Drive
Sun Prairie, WI 53590

Dear Mr. Peters:

This opinion is rendered in connection with actions of the City of Menasha's Common Council concerning the execution, delivery and authorization of Amendment No. 2 to Long Term Power Supply Contract for Participating Members (the "Amendment") between the City of Menasha, Wisconsin, a municipal corporation created and existing under the laws of the State of Wisconsin (the "Member"), and WPPI Energy ("WPPI"). I have acted as counsel for the Member in connection with the authorization, execution and delivery by the Member of the Amendment. In that capacity, I have examined originals, copies certified, or otherwise identified to my satisfaction, of the following:

- (a) All public records, proceedings and documents in connection with the organization, establishment and authority of the Member which I believe necessary to enable us to render this opinion;
- (b) The Long Term Power Supply Contract for Participating Members between the Member and WPPI, as amended (the "Long Term Power Supply Contract");
- (c) The Amendment;
- (d) Proceedings of the Common Council, relating to the authorization of the Amendment, including the Resolution adopted by the Common Council on _____, 201__ approving the Amendment;
- (e) All outstanding debt instruments and contractual obligations of the Member's electric utility system or integrated utility system, as applicable, that may relate to the matters discussed below.

I also have examined such other documents, records and instruments and made such investigations of law as I have deemed necessary or advisable for purposes of this opinion. Based upon the foregoing, it is my opinion that:

1. The Member is a political subdivision and municipal corporation of the State of Wisconsin and is fully authorized and empowered under the laws of the State of Wisconsin to enter into the Amendment and to perform its obligations thereunder.

2. Based upon my knowledge and due investigation, no consent, order, waiver, or any other action by any other person, board or body, public or private, is required as of the date of execution of the Amendment for the Member to enter into the Amendment and to perform its obligations thereunder.

3. Based upon my knowledge and due investigation, there is no action, suit or proceedings at law or in equity or by or before any court, administrative agency, governmental instrumentality or other agency pending or threatened against or affecting the Member, its electric utility system or its integrated utility system of which the Member's electric utility system is deemed to be a part pursuant to Section 4(b) of the Long Term Power Supply Contract, which seeks to prohibit, restrain or enjoin the Member from entering into or complying with its obligations contained in the Amendment or in any way affects or questions the validity or ability to carry out the transactions contemplated by the Amendment.

4. The Amendment has been duly and validly authorized, executed and delivered by the Member and the Amendment and the Long Term Power Supply Contract, as amended thereby, each constitute a legal, valid and binding obligation of the Member enforceable against it in accordance with its terms, except that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization and similar laws of general application relating to the rights and remedies of creditors.

5. Based upon my knowledge and due investigation, the execution and delivery of the Amendment, and compliance by the Member with its terms and the terms of the Long Term Power Supply Contract as thereby amended, will not conflict with, or constitute on the part of the Member a breach of or a default under, any existing statute, law, governmental rule, regulation, decree, resolution, ordinance, charter or order, or any agreement, indenture, mortgage, lease or instrument to which the Member is subject or by which it is or its properties are or may be bound.

My opinion concerning the Amendment is subject in each instance to Section 5 of the Amendment which provides that the Amendment shall take effect as of its designated effective date, provided, however, that if, by March 31, 2016, less than thirty-four (34) WPPI Participating Members approve an amendment extending the terms of their respective Long Term Contracts to midnight on December 31, 2055, the Amendment shall be null and void and shall have no force and effect.

I authorize WPPI and its attorneys to rely upon my opinion in issuing their opinion(s) in connection with any borrowing, bond issuance or other financing, the same as if that opinion were addressed to them. I also authorize WPPI's lenders to rely upon my opinion, the same as if that opinion were addressed to them.

This opinion shall not be construed to be an opinion as to the application of state, federal or other tax principles to the Member or WPPI.

This opinion is limited in all respects to the law existing on the date hereof.

This opinion is limited to the specific issues addressed. I express no opinion and make no representation, and no inference is intended or should be drawn from any statement in this letter, as to any other issues involving WPPI or the Member, their businesses or any matters involving any persons or entities that may engage, directly or indirectly, in any business with or for WPPI or the Member.

Very truly yours,

cc: Melanie Krause, General Manager
Menasha Utilities



WPPI Energy: The Power of Many

Presented by

Mike Peters – President/CEO

August 5, 2015



Overview

- WPPI Energy review
- Ownership of WPPI Energy
 - What's in it for Menasha?
- Industry issues today
- Staying stronger together
- Celebrating the power of many:
35 years strong
- Key takeaways



WPPI Energy

- Formed in 1980
 - Membership growth: 23 to 51
 - Menasha a member-owner since 1981
- Provide power supply and related services to members, customers
 - All-requirements power supply contract is what secures these benefits for Menasha
- Local control
 - Melanie Krause: Board Director, FAC, RDSAG
 - Mark Allwardt: Board Alternate
 - Other groups: Paula Maurer (ESAG), John Teale (ITAG)



Ownership of WPPI Energy

What's in it for Menasha?

- Reliable, affordable power supply for long-term
 - A stronger bottom line for local homes and businesses
- Best-in-class services, support
 - 75+ member services and customer programs
- A seat at the energy policy table
 - Preserving and protecting public power



Power Supply

- First owned generation: Boswell, 1990
 - Made possible with member all-requirements 35-year power supply contracts signed in 1989
- Proven track record, paved way for generation ownership
 - Today, 12 major resources
 - Diverse: fuels, own/purchase
 - Flexible



Power Supply



Boswell Energy Center Unit 4
Cohasset, Minnesota



South Fond du Lac Units 1 & 4
Fond du Lac, Wis.



Power Supply



Island Street Peaking Plant
Kaukauna, Wis.



Elm Road Generating Station
Oak Creek, Wis.



Power Supply



Point Beach Nuclear Plant
Near Two Rivers, Wis.



Nelson Energy Center
Near Rock Falls, Ill.



Power Supply



State Renewable Energy Mandates
WPPI Energy members ready 6 years early



Worthington Wind
Worthington, Minn.



Power Supply



WPPI Energy System Operations Center
Sun Prairie, Wis.



Services & Support

- 75+ member services and customer programs
 - Provide distribution system support, including joint purchasing of electric materials
 - Develop electric rate cases, assist with filings
 - Support metering and customer billing/accounting systems
 - Help deliver energy services and programs to retail customers
 - Assist with customer education and outreach



Energy Policy

- Advocacy to protect consumers
 - Late 70's: Municipal right to joint action
 - ~ Legislation passed to form WPPI Energy
 - Mid 90's: Wis. deregulation fight
 - ~ 1999: Deregulation legislation defeated
 - Late 70's-late 90's: Fight to access to high-voltage lines
 - ~ 2000 – Transmission ownership through ATC
 - 2004-2006: Centralized energy markets emerge
 - ~ WPPI Energy successfully navigates market for members



Ownership of WPPI Energy

What's in it for Menasha?

- Local dividends in 2014
 - 3,083,000 kilowatt-hours (kWh) and \$280,500 saved for local customers
 - Cumulative "first-year" savings for customers since 2010:
 - ~ 32,986,000 kWh
 - ~ \$2,968,740
 - ESR Lisa Miotke's and Manager of Key accounts Peggy Jesion's customer service and support
 - Financial benchmarking study



Ownership of WPPI Energy

What's in it for Menasha?

- Local dividends in 2014, cont'd
 - Advanced metering support
 - Community contributions (access to \$5,000)
 - ~ High school scholarships
 - ~ National Theatre for Children school energy education performance
 - ~ St. Joseph's Food Pantry
 - ~ Community Clothes Closet back-to-school event





Industry Issues Today and Tomorrow

- Changing technology, customer expectations
 - Distributed generation
 - Customer information
- Policy issues can significantly impact our business and costs
 - EPA's recently released Clean Power Plan
 - Third party ownership of distributed generation
 - Retail rate design
- Question is how do we meet these challenges?



Flexibility and Adaptability through Joint Action

- What are our respective roles
 - Menasha Utilities = Distribution services (poles and wires) + Customer service
 - WPPI Energy = Power supply (electrons) + services to member utilities
- What is the "future" of distribution utility service?
- What is the "future" of power supply
- The relationship between MU and WPPI works together to support and accommodate the changes ahead.



Staying Stronger Together

- Ownership of WPPI Energy provides shared strength, preserves and enhances the value of Menasha Utilities for the long term
- Current contract expires: 2037
- Time for contract extension: 2015
 - Importance
 - ~ All-requirements contract is what secures WPPI Energy's power supply, services for Menasha
 - Target date for completion
 - ~ End of year



Celebrating the Power of Many: 35 Years Strong

- Celebrating Menasha's joint action accomplishments as a WPPI Energy owner
 - Positioned well for the future
 - Together, tackling issues that would be difficult for our communities to take on alone
 - Joint-action is our biggest strength; we must work to preserve it
- Annual Meeting and 35th Anniversary Celebration
 - Thursday September 17, Sheboygan, Wis.



Key Takeaways

- Ownership of WPPI Energy preserves, enhances value for Menasha Utilities
 - Power supply
 - Support services
 - Advocacy
- Long-term, all-requirements power supply contract is what secures these benefits for Menasha
- Time for contract extension: 2015
- Together, 51 WPPI Energy members have the power of many



Questions?

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