It is expected that a Quorum of the Personnel Committee, Board of Public Works, and Administration Committee will be attending this meeting: (although it is not expected that any official action of any of those bodies will be taken)

CITY OF MENASHA
Special Joint Common Council
and
Electric and Water Utility Commission
Third Floor Council Chambers
140 Main Street, Menasha
August 5, 2015
5:00PM

AGENDA

A. CALL TO ORDER

B. PLEDGE OF ALLEGIANCE

C. ROLL CALL/EXCUSED ABSENCES

D. PUBLIC COMMENTS ON ANY MATTER LISTED ON THE AGENDA
(five (5) minutes time limit for each person)

E. DISCUSSION
1. WPPI Membership and Contract Extension.

F. ADJOURNMENT

"Menasha is committed to its diverse population. Our Non-English speaking population and those with disabilities are invited to contact the Menasha City Clerk at 967-3603 24-hours in advance of the meeting for the City to arrange special accommodations."

Menasha Utilities
THE POWER OF COMMUNITY

Date: July 17, 2015

To: Menasha Utilities Commission

From: Melanie Krause, General Manager

RE: WPPI Long Term Power Supply Contract Extension

WPPI Energy will be presenting an amendment to the Long Term Power Supply Contract for Participating Members to extend the term by 20 years, currently the contract term goes through December 31, 2037. This contract extension to December 31, 2057 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.

Included in this packet are some materials to help gain a better understanding of the contract, WPPI and the process:

- Contract extension process – Fact sheet and timeline
- WPPI at a glance explaining the current generation resources in WPPI's portfolio
- WPPI Energy Support Services – Just about all the services included in this document Menasha utilizes to maximize the value of joint action and are part of the power costs to serve our customers.
- Power Supply Approaches and Options – Information to help to better understand the alternative power supply options that we would have.
- Current WPPI long term power supply contract and amendment

It is extremely important when looking at what options we have as a Utility for power supply to keep in mind the services that we need and utilize for the benefit of our customers since those alone would equate to millions of dollars annually if providing on our own. The table below reflects the top 8 largest municipal utilities in Wisconsin, the different power supply providers, the annual MWh sales and the costs and revenues/MWh. We are the second largest municipal utility based on MWh sold and sixth largest based on number of customers served. It is important to notice from this information that there are several with lower purchased power costs/MWh however the lowest revenue/MWh sold is Menasha. Given we are a non-profit entity this is a positive reflection of Menasha based on our load and the costs of power and services we purchase and provide.

Based on 2014 Annual Report Data	Power Supply	MWh Sales	Purchased power costs/MWh purch	Revenue to cust/ MWh sold
Menasha	WPPI	571,207	$70.79	$81.58
Kaukauna	WPPI	701,516	$78.53	$84.40
Manitowoc	GLU	521,859	$69.67	$84.51
Marshfield	GLU	378,209	$62.90	$92.82
Wisconsin Rapids	GLU	271,234	$70.50	$95.05
Sun Prairie	WPPI	257,750	$81.89	$100.56
Oconomowoc	WPPI	230,816	$79.62	$108.25
Sturgeon Bay	WPPI	145,945	$79.71	$108.81

Mike Peters the CEO/President of WPPI will be coming to Menasha for a joint meeting with the Commission and Council to have preliminary discussions on power supply and the contract the beginning of August. The amendment that will apply equally for all the members will be distributed mid-August and additional meetings to discuss the contract and amendment in more detail with the governing bodies will need to be confirmed for fall.

The purpose of sharing this information is to help better understand where we are today in order to develop the plan of where we want to be for our long term power supply and services in the future and understand what additional information is needed to make the most informed decision.

WPPI energy
The way energy should be

Contract Extension Process – Fact Sheet

1. About WPPI Energy

A group of 23 Wisconsin municipalities formed WPPI Energy in 1980 to achieve—through joint action—economies of scale in the acquisition of generation and transmission facilities and in the purchase of electric power needed to serve their residents and businesses.

Today, WPPI Energy is a not-for-profit regional power company serving 51 locally owned utilities in Wisconsin, Iowa and Upper Michigan. These "public power" utilities supply electricity to more than 200,000 customers. WPPI Energy's mission is to deliver reliable, low-cost wholesale electricity as well as provide superior services and advocacy that offer exceptional value to our member communities and the customers they serve.

Together, we have a diversified, flexible power supply; stable rates; financial strength; a broad selection of services and programs; and a voice on issues affecting the industry.

2. Long-Term Power Supply Contract for Participating Members

WPPI Energy's past and future success is built upon a commitment of our members to work together to obtain the benefits of a larger organization and to ensure that the interests of all members are in alignment. WPPI Energy is able to offer superior power supply and other support services because our members have aligned their interests through a common contract with WPPI Energy called the *Long-Term Power Supply Contract for Participating Members* (the long-term power supply contract).

All WPPI Energy members have in place this long-term power supply contract. Your community's all-requirements agreement is the means through which your utility receives power supply from WPPI Energy. It is also the key to facilitating long-term generation planning and resource acquisition. By committing to buy all their power together through WPPI Energy, our membership enjoys economies of scale that allows them to affordably own and purchase the power supply resources needed to meet local needs.

All WPPI Energy members are treated on an equivalent basis under the same agreement, including the same blended wholesale rate for the same length of time. Having a uniform termination date for the power supply agreements is important because it keeps the interests of all WPPI Energy members aligned. If WPPI Energy were to have members with different termination dates, some members may have a greater incentive to pursue short-term power supply options while other member may have an incentive to pursue long-term power supply options, such as ownership of a new resource.

This helps to ensure the unity of purpose that has underpinned our joint-action agency membership's collective success these past 35 years.

3. Amending the Long-Term Power Supply Contracts for Participating Members – Why Now? The Business Need.

At the May 2015 meeting of the WPPI Energy Board of Directors, President and CEO Mike Peters discussed the forthcoming plan to amend the long-term power supply agreements by adding a 20-year extension. The Board of Directors is expected to ask members to extend the term of their agreements (and approve other non-substantive clean-up changes) later this year. This comprehensive effort is a key priority of the WPPI Energy 2014-2016 Business Plan.

The original long-term power supply contracts (for existing members at the time) were signed in 1989 for a term of 35 years. The contracts were last extended in 2002 (for an additional 13 years) to December 31, 2037. We are approaching 20 years of remaining life on the contracts.

WPPI Energy is continuously making various short, medium and long-term decisions for power supply resources and services for the benefit of its members. In order to effectively procure longer term power supply resources (20+ year contracts and 30-year bond issues) the termination date for the long-term power supply contracts between WPPI Energy and its members should be at least 30 years into the future. Because of this, the member contract extension process is a standard and very important component of the WPPI Energy business model.

4. Term Length of Extension

WPPI Energy expects to extend the current term of the contract by 20 years with the new end date being December 31, 2057. This extension would provide the organization with 41 years on the contract, compared to the 35 years the last contract extension provided. The reason for the longer term is address the immediate need for power supply planning as well as the need to add significant new resources in the early to mid-2020s.

5. Amendment Requirements – The Process

The WPPI Energy Board of Directors is expected to formally approve the amendments to the long-term power supply contract in September.

Each member will need to take local action. Many will need approval at both the utility governing body (where applicable) and at the municipal governing body (in most cases). This is done in the form of passing resolutions, the form of which WPPI Energy is preparing and will send to each member.

Each member will need have its attorney issue a legal opinion concerning due authorization, approval and enforceability of the amendment.

The amendments only become effective with formal execution by two-thirds of the membership (34 members).

6. What if a member chooses not to extend?

The final date to extend is March 1, 2016. If a member chooses not to extend on or before this date, the future "right" to extend the contract is at WPPI Energy's sole discretion.

Current member power supply agreements expire in 2037. Prior to 2037, a member that does not extend will be obligated to continue all-requirements purchase at same rate as other members, including costs of projects to serve other members post-2037. There will be no right to power or support services after 2037.

7. Proposed Timeline

The following are key dates to the contract extension process:

Mid-August	WPPI Energy sends to members the appropriate legal documents/amendment package *(local approvals can begin)*
September 18	At the WPPI Energy Board of Directors meeting (coinciding with the 35th anniversary celebration), staff will provide a status update and recognize members that have completed local approvals needed to extend the contract.
December 31	Target deadline. All members are requested to take the local action necessary to extend the contract by the end of the year.

AT A GLANCE

WPPI energy
The way energy should be

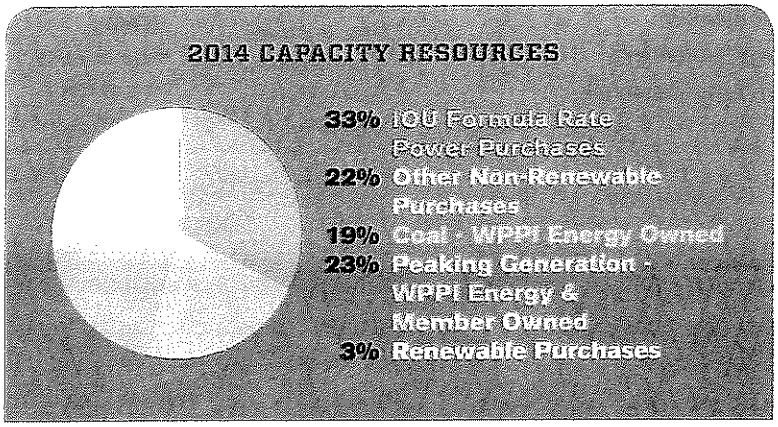
WPPI Energy is a not-for-profit, regional power company serving 51 locally owned electric utilities. Our mission is to deliver reliable, low-cost wholesale electricity, as well as provide superior services and advocacy that offer exceptional value to our member utilities and the customers they serve.

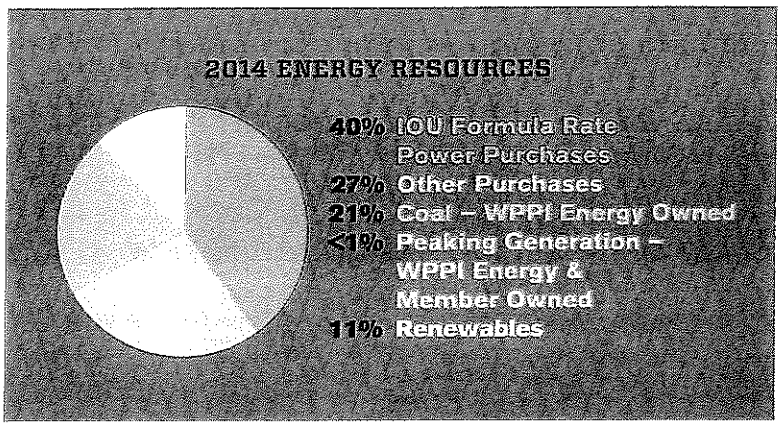
Value of Public Power

As public power utilities, our members value local ownership, local control and commitment to customers. Each utility operates independently on a not-for-profit basis. Keeping revenues within local communities helps make them great places to live and work.

Advantages of Joint Action

WPPI Energy members are stronger together, achieving through joint action what would be costly and difficult to do alone. Together members own generation resources and transmission assets, offer cost-effective programs and services for customers, share technology resources, and advocate on behalf of customers. As a result, WPPI Energy members are better equipped to operate successfully as the industry changes.





Owned Generation Resources and Purchased Power

Owned Generation	Fuel	Capacity (MW)
Boswell Unit 4	Coal	117
Elm Road Generating Station	Coal	106
South Fond du Lac Units 1 & 4	Gas	154
Island Street Peaking Plant	Gas	55
Worthington Wind Turbines	Wind	2

Unit Contingent Purchased Power Agreements	Fuel	Capacity (MW)
Point Beach Nuclear Plant	Nuclear	164
Kendall County Unit 3	Gas	85
Butler Ridge	Wind	54
Top of Iowa II	Wind	50
Barton I	Wind	30
Forward Wind Energy Center	Wind	27.5
Outagamie Clean Energy Project	Landfill	4.8
Richland Center Renewable Energy	Biogas	1.7
Kimberly Hydro	Hydroelectric	2
John Street Hydro	Hydroelectric	0.5
Jefferson Solar	Solar	1

Power Supply

As the not-for-profit power supplier for our members, WPPI Energy is focused on maintaining a diverse and flexible power supply to help keep rates competitive. Our constantly evolving portfolio features both owned and purchased power from a variety of resources including coal, nuclear, natural gas and renewables. This strategic diversity allows us to ensure reliability and operate cost-effectively in a changing economic and regulatory environment.

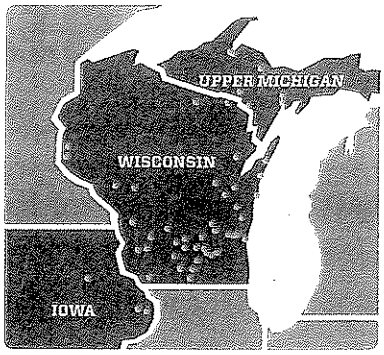
Community Stewardship

We are committed to good stewardship of the economic and environmental well-being of our communities.

- **SAVING ENERGY.** In 2014, customers of WPPI Energy member utilities saved $5.6 million in electricity costs through our energy efficiency programs. Using energy more efficiently helps keep dollars in customers' pockets and provides a boost for the local economy.
- **USING RENEWABLE ENERGY.** In our power supply portfolio, 14% comes from renewable resources. We were six years ahead of state mandates requiring 10% renewable energy use by 2015.
- **REDUCING EMISSIONS.** More than 35% of the electricity our communities use comes from carbon-free resources – which means that new regulations from the U.S. Environmental Protection Agency should have less of an impact on us, as we have already taken significant steps to reduce our carbon dioxide emissions.
- **LEADING BY EXAMPLE.** WPPI Energy's energy-efficient, sustainably designed office and operations facility in Sun Prairie has achieved both Leadership in Energy and Environmental Design (LEED) Gold status and ENERGY STAR® certification.

Governance

WPPI Energy has a 51-member Board of Directors, with one director representing each member utility. The full board elects an 11-member Executive Committee responsible for overseeing WPPI Energy's business affairs and making recommendations for action by the board. A professional staff handles day-to-day operations.



Member Communities

WISCONSIN

Algoma
Black River Falls
Boscobel
Brodhead
Cedarburg
Columbus
Cuba City
Eagle River
Evansville
Florence
Hartford
Hustisford
Jefferson
Juneau
Kaukauna
Lake Mills
Lodi
Menasha
Mount Horeb
Muscoda
New Glarus
New Holstein
New London
New Richmond
Oconomowoc
Oconto Falls
Plymouth
Prairie du Sac
Reedsburg
Richland Center
River Falls
Slinger
Stoughton
Sturgeon Bay
Sun Prairie
Two Rivers
Waterloo
Waunakee
Waupun
Westby
Whitehall

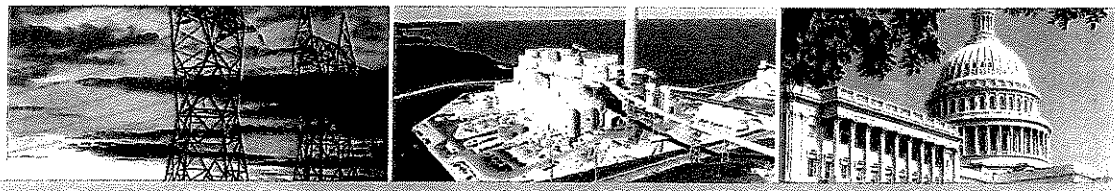
MICHIGAN

Alger Delta CEA
Baraga
Crystal Falls
Gladstone
L'Anse
Negaunee
Norway

IOWA

Independence
Maquoketa
Preston

Quick Facts



Member Utilities 51

Max Peak-Hour Demand in 2014 959 MEGAWATTS

Homes and Businesses Served by WPPI Energy Members 200,000

Est. 1980

Total assets: $820 million • Net position (retained earnings): $228 million
Equity ownership in American Transmission Co.: $100 million
Energy requirements in 2014: 5,404 gigawatt-hours • President and Chief Executive Officer: Mike Peters

1425 Corporate Center Drive | Sun Prairie, WI 53590 | 608-834-4500 | www.wppienergy.org

WPPI ENERGY SUPPORT SERVICES

Utility

» Member Relations
- Member Energy Efficiency & Renewable Energy Loan
- Community Leader Education & Outreach

» Market Research

» Joint Purchasing
- Electric Materials
- Other Utility Services

» Retail Metering & Billing
- Large Power Metering & Reporting Service
- Outsourced Retail Billing Service

» Rate Services
- Electric Rate Design & Applications
- Rate Comparisons

» Financial Modeling
- Five-Year Projections of Purchased Power Costs & Sales Revenue
- Department of Energy EIA 861 Filing
- Benchmarking Studies
- Rate Impact Analysis

» Hosted Software & Support Services
- Meter Data Collection & Management Service (Elster & Sensus)
- Utility Billing & Customer Information Software (Northstar, Clarity)
- Financial & Accounting Software (Dynamics SL)
- Member Network Assessment & Monitoring Service
- Email Service

» Distribution System Support Services
- Management Support
- Interim Utility Management
- Shared Meter Technician Service
- Electric Service Territory & Customer "Right to Serve" Program
- NERC Compliance
- Thermal Imaging Rental

» Communications & Education
- Local Newsletter Template Service
- Cooperative Newspaper Advertising Program
- Web Site Development Service
- Power Report
- News Releases
- Home Energy Report
- Business Energy Update

Community

» Community Relations Program
- Community Contribution Fund
- Value of Public Power Fund
- High School Scholarship Program

» Economic Development Support

» Speakers Bureau

Customers

» Energy Services Field Staff
- Key Account Management
- Energy Services Representative Program

» Energy Efficiency (Mass Markets)
- Wholesale Commitment to Community Funding
- National Theatre for Children
- Home Energy Suite Online Tools
- K-12 Energy Education Program (KEEP)

» Energy Efficiency (Targeted Markets)
- Energy Management Services for Schools
- Utility & Municipal Building Efficiency Incentives
- RFP for Energy Efficiency
- Shared Savings
- Technical Training & Educational Outreach

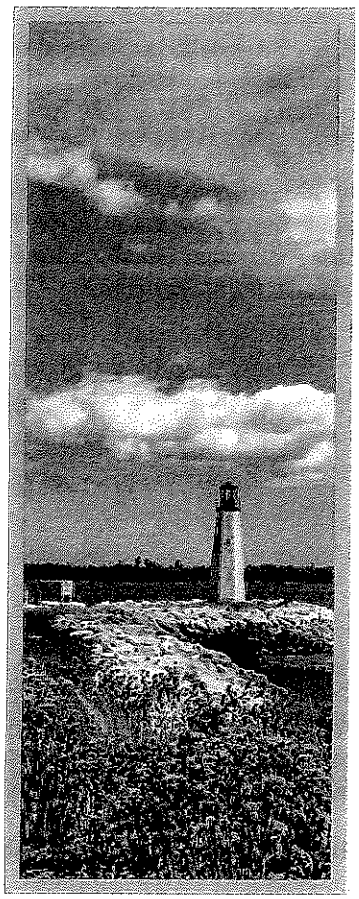
» Renewable Energy Programs
- Renewable Energy Blocks
- Customer Incentives (IA & MI only)
- Demonstration Project Grants
- Renewable Energy Grants for Non-Profits RFP
- Power Supply Resource Funding

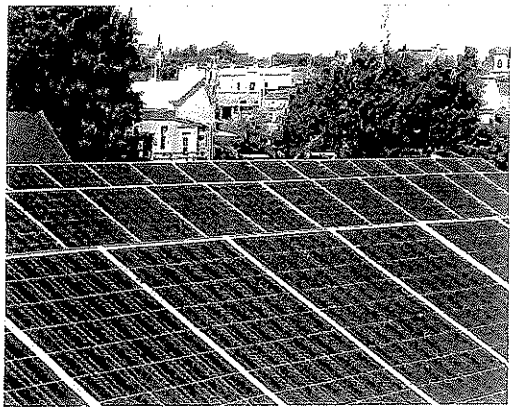
» Low-Income
- Program Administration Service
- Customer Credit Program
- Cooling Assistance
- Weatherization Program
- Refrigerator Replacement Program
- Commitment to Community Pool

» Customer-Sited Distributed Generation
- Capacity Program
- Cogeneration Evaluation Services

» Demand Response
- Interruptible Load Credits
- Market-Based Pricing: Curtailable Load Option

» Retail Power Quality Services





WPPI Energy's mission is to deliver reliable, low-cost wholesale electricity, as well as provide superior services and advocacy that offer exceptional value to our member utilities and the customers they serve.

Together, we have a diversified, flexible power supply; stable rates; financial strength; a broad selection of services and programs; and a voice on issues affecting the industry.

Support Services Highlights

The 75-plus member services and customer programs available through WPPI Energy help utilities lower their costs; better serve their customers; stay current with evolving technologies; and remain competitive in the industry. WPPI Energy members do through joint action what would be too expensive and difficult to do alone.

WPPI Energy offers support services in the following areas and more:

- Joint purchasing of electric materials
- Electric distribution system management
- Electric rates & financial modeling
- Customer & energy services
- Program marketing
- Retail metering & billing
- Customer information systems & technology
- Governmental relations & advocacy
- Communications, education & community outreach

Many services are available at no additional cost to all members as part of WPPI Energy membership while others are available on a pay-for-service basis.

Members Develop Services

WPPI Energy is built on the principle that all members should have the opportunity to participate fully in decision-making regarding the organization. WPPI Energy's support services are developed with the guidance and endorsement of member advisory groups. Members have carefully structured WPPI Energy as a resource that helps them keep their utilities strong, efficient and competitive.

"Joint ownership of WPPI Energy enables members to gain economies of scale for support services. Together, members are better equipped to operate successfully in a rapidly changing industry. WPPI Energy is committed to helping member utilities provide excellent service to their customers and communities."

Learn More

WPPI Energy's intranet site–myWPPI–provides online access to detailed information related to the support services listed on the following page. Through this secure web site, members also can quickly find the joint purchasing catalog, load data, upcoming events, news and much more.

https://mywppi.wppienergy.org

POWER SUPPLY APPROACHES AND OPTIONS FOR WISCONSIN MUNICIPAL ELECTRIC UTILITIES

WPPI Energy Philosophy

WPPI's past and future success is built upon a commitment of our members to work together to obtain the benefits of a larger organization and to ensure that the interests of all members are in alignment. Through ownership in WPPI, members have the ability to serve their customers with a diverse portfolio of resources and deliver interruptible and other services in a manner that is superior to other wholesale suppliers of electricity. WPPI is able to offer superior power supply and other services because our members have aligned their interests through a common long-term power supply contract with WPPI.

WPPI is continuously making various short, medium and long-term decisions for power supply resources and services for the benefit of its members. In order to effectively procure longer term power supply resources (20+ year contracts and 30-year bond issues) the termination date for the power supply contract between WPPI and its members should be at least 30 years into the future. Because of this, the member contract extension process is a standard and very important component of the WPPI business model. The need for a timely extension was identified as a key component of WPPI's 2014-16 Business Plan.

WPPI's founding members wanted to create a strong and effective all-requirements Joint Action Agency. The underlying principal that allowed them to successfully accomplish this objective was that all members would be treated the same; same rates, services, contract, ability to participate and ability to influence decisions.

Having a uniform termination date for the power supply agreements between WPPI and its members is important because it keeps the interests of all WPPI members aligned. If WPPI were to have members with different termination dates, some members may have a greater incentive to pursue short-term power supply options while other member may have an incentive to pursue long-term power supply options, such as ownership of a new resource.

WPPI's diverse power supply portfolio, with numerous resources having staggered terms allows WPPI to be in the market for new resources for up to 10-15% of its supply every few years. As a result, WPPI will not realize a significant unexpected increase in power supply costs due to a rapid increase in market capacity and energy prices. In contrast, a municipal utility that is relying on short-term power supply contracts may be in the market for 100% of its requirements at a time when market capacity and energy is constrained resulting in high capacity and energy prices, which could result in a significant rate increase to its customers over a short period of time.

Wisconsin Power Supply Landscape

The 82 Wisconsin municipal electric utilities meet their power supply requirements in a number of different ways:

- Membership in Joint Action Agencies
  - WPPI 41 (51, including Iowa and Michigan)
  - GLU 10 (11, including Escanaba)
  - UMMEG 10 (25, including Iowa and Minnesota)

- Short-term purchases
  - AEP 5 (6, including Wakefield)
- Purchases from the neighboring IOUs
  - WP&L 14
  - WPS 2

By percentage:

- Joint Action – 80%
- Short-term contract – 7.3%
- Purchase from neighboring IOUs – 12%

Of the current GLU members, four recently assigned their short-term AEP contracts to GLU and executed long-term all-requirements contracts with GLU. Eight GLU members currently take full requirements service under 25 year contracts. One takes partial requirements service under a 25 year contract and one uses GLU only to schedule its peaking resource.

Ten UMMEG members are smaller western Wisconsin municipal utilities that own older diesel generating units. These utilities have consistently used their diesel units as part of their sole sourcing arrangement with Dairyland Power.

Most the municipal electric utilities in Wisconsin are under some form of long-term power supply commitment. When those utilities evaluate power supply options, they are usually considering what their options might be at some point well into the future. For WPPI members, this means after 2037. The short-term decision for WPPI members as they consider the proposed contract extension with WPPI is: 1) extend the contract, take all requirements power and services from WPPI and recommit to the WPPI Joint Action Model for the long term, or 2) don't extend the contract, take all requirements power and services from WPPI and pursue alternatives 20 or so years in the future. The need for periodic contract extensions will not be a surprise to WPPI members. It has been a key component of the WPPI business model from the beginning and continues to be a key component of the business model going forward. Members of WPPI have made the long-term commitment to plan for their power supply needs jointly through WPPI for the long term.

<u>What are the potential options?</u>

When a Wisconsin municipal electric utility has the short-term ability to consider alternative power supply options, the options generally consist of:

1) Purchasing from a local IOU
2) Making a short-term market purchases (capacity and energy)
3) Owning their own generation
4) Joint Action
   a. All requirements agency
   b. Project agency
   c. GLU
   d. UMMEG

The following is a brief explanation of the benefits and advantages of the WPPI (All Requirements Joint Action) model compared to each alternative.

1) WPPI vs. purchase from an IOU

Prior to the passage of Joint Action legislation in Wisconsin in the late 1970's, municipal electric utilities were all captive customers of the IOUs. Being a captive customer of a competitor was considered a significant detriment and the active municipal utilities at the time committed significant time and resources to free themselves from the IOU wholesale purchase model.

Purchasing from an IOU today generally requires sourcing under a long-term contract with a specified termination date or notice of termination. The cost of IOU wholesale rates tends to vary considerably over time depending on where the particular utility is in its building cycle.

WPPI's wholesale rate, which includes valuable services that are not provided by the IOUs, has been lower than the weighted average cost of the IOU wholesale rates over the past 20 years. WPPI's wholesale rate to members continues to be lower than the weighted average cost of the IOU's wholesale rates today. Currently, WPPI's wholesale rate is approximately 20% lower than WE, 12% higher than Alliant and 5% higher than WPS. The differential with WPS is expected to close within a year and the differential with Alliant is expected to close within five years. Members served under the WPPI wholesale tariff also have much more flexibility in offering competitive rate options to large customers and innovative rate structures such as growth rates, compared to municipals served under all requirements IOU purchases.

2) WPPI vs. short-term market purchases (AEP)

Nine municipal utilities in northwest Wisconsin recently (within the past few years) terminated their all requirements contracts with Xcel and entered into short-term market contracts to serve their entire load. These utilities have realized overall costs (power supply costs) in the short-term that are 30% or more below the WPPI wholesale rate. They have also experienced the ongoing pressures that accompany risky transactions. Four of the nine utilities recently executed 25 year full requirements contracts with GLU to address their risk concerns related to future power supply cost.

The short-term contract arrangements can appear very attractive to an outsider looking in. But these arrangements also come with real risks and challenges. Utilities and customers can get hit very hard when market conditions change. WPPI experienced this close up as we worked with two "potential member" groups in recent years that were facing 60-125% price increase cliffs.

These short-term contracts also require local effort, cost and attention both up front and over time and come extremely "bare bones," with no support services. They also pose challenges to offering innovative rates. Members served under the WPPI wholesale tariff have much more flexibility in offering rate options to large customers and innovative rate structures such as growth rates.

Short-term contracts come with significant volatility. WPPI has the ability and does incorporate 10-20% short-term market purchases into its portfolio. It does so in a manner, however, that allows for price stability over time and does not expose members to significant year over year price fluctuations. WPPI has the ability to collectively offer its members (through the market) anything that AEP can and could do so without a third party markup. WPPI members, however, have historically put a priority on price stability, and have directed staff to pursue more stable options.

3) WPPI vs. local ownership of generation

The risks and economics of a small/medium sized municipal utility owning generation to serve its own load are generally quite unattractive due to economies of scale, lack of diversity, EPA regulations and operational risks. No generating unit can run all of the time. They all experience planned and unplanned outages making them unavailable for significant time periods over the course of a year. When the generation is out of service, these municipal utilities are exposed to month to month and year to year market price volatility. We have seen market energy prices double or even triple during warmer than normal summer periods and colder than normal winter periods.

The Dairyland municipals (UMMEG members) currently have older diesel units that they use to structure special partial requirements purchases from Dairyland. Given the market value of peaking capacity, however, unless a third party is willing to pay above market prices for capacity to lock in the load, it can also be very challenging to generate value from older peaking resources.

4) WPPI vs. other Joint Action models

a. All requirements agency

WPPI is an all-requirements agency where all members are treated the same (contract, rates, and services) and strong member unity is top priority. In this type of an agency, members jointly develop and are served by the same long-term power supply portfolio. The strong unity that an all requirements agency can foster often creates an environment where members choose to also jointly achieve economies of scale and joint action benefits with services outside of power supply. WPPI has a strong portfolio of services that were developed by members to provide greater customer value and lower customer cost. If a municipal utility were to try to locally replicate the services provided through WPPI, they would likely incur increased total costs of 5% or greater.

b. Project agencies

In a project agency, the agency identifies power supply projects and individual members opt in or out of projects. Although members of municipal utilities all belong to the same agency, they all individually are responsible for planning and arranging for their own power supply. There is not currently a true project agency doing business in Wisconsin.

c. GLU

GLU has morphed over time into what appears to be a combination all requirements/partial requirements agency. The all requirements offerings seem to be less consistent than WPPI's approach with individual members having customized contract arrangements. The agency owns no generation facilities and the services offered to members are quite limited.

d. UMMEG

For its Wisconsin members UMMEG for the most part is a mechanism through which ten small municipals in western Wisconsin who own older diesel generating units negotiate power supply contracts with Dairyland. They have no staff and offer few/no services.

WISCONSIN PUBLIC POWER INC. SYSTEM

LONG TERM

POWER SUPPLY CONTRACT

FOR PARTICIPATING MEMBERS

CITY OF MENASHA

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WISCONSIN PUBLIC POWER INC. SYSTEM
LONG TERM
POWER SUPPLY CONTRACT FOR PARTICIPATING MEMBERS

This Contract is made effective as of the 18th day of July, 1989, by and between the WISCONSIN PUBLIC POWER INCORPORATED SYSTEM, a municipal electric company created under Section 66.073, Wisconsin Statutes (the "SYSTEM") and the City of Menasha, a municipal corporation created and existing under the laws of the State of Wisconsin (the "Member").

W I T N E S S E T H:

WHEREAS, the SYSTEM is a municipal electric company created pursuant to Section 66.073 of the Wisconsin Statutes (the "Act") and as such is a political subdivision and body public and corporate of the state of Wisconsin, lawfully empowered to engage in the business of supplying transmission service and electric power and energy to its member municipalities;

WHEREAS, the City of Menasha, Wisconsin, operates a municipal electric utility providing electric service at retail within, and in areas adjacent to, its municipal boundaries and is a member of the SYSTEM;

WHEREAS, in order to negotiate and put into place long term power supply and transmission arrangements and to finance the costs of such arrangements where desirable through the issuance of bonds and other forms of indebtedness, the SYSTEM must have in place long term power supply contracts with its members which

enable the SYSTEM to make commitments for serving its members' loads and which can serve as security for the SYSTEM's indebtedness;

WHEREAS, in order to enable the SYSTEM to secure adequate, reliable and economic long term sources of electrical power and energy for the Member, the SYSTEM and the Member have determined that the SYSTEM will sell to the Member and the Member will purchase from the SYSTEM, all of the Member's power and energy requirements, with the limited exceptions set forth herein, pursuant to the terms of this Contract;

WHEREAS, each current member of the SYSTEM is being offered a Long Term Power Supply Contract for Participating Members substantially identical to this Contract; and,

WHEREAS, the Member has determined that it is prudent and in the best interests of the Member to enter into this Contract on the terms set forth herein in order to obtain an adequate, reliable and economic long term supply of power and energy;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth in this Contract, the SYSTEM and the Member agree as follows:

Section 1. Definitions. The following terms shall, for all purposes of this Contract, have the following meanings unless the context expressly or by necessary implication requires otherwise:

"Board of Directors of the SYSTEM" shall mean the board of directors created pursuant to sec. 66.073(5), Wis. Stats., to

be the governing body of the SYSTEM. While this Contract is in effect, each member of the SYSTEM, including the Member, shall have the right to appoint one member of the Board of Directors and to remove that member at will.

"Bonds" shall mean any bonds, notes, interim certificates, debentures or other evidences of indebtedness issued by the SYSTEM from time to time to finance any cost, expense or liability paid or incurred or to be paid or incurred by the SYSTEM in connection with investigating, studying, planning, engineering, designing, financing, installing, constructing, acquiring, operating, maintaining, retiring, decommissioning or disposing of any part of the Power Supply System or otherwise paid or incurred or to be paid or incurred by the SYSTEM in connection with the performance of its obligations under the Long Term Power Supply Contracts for Participating Members or for any other lawful purpose permitted under the Act related to the Power Supply System.

"Bond Resolution" shall mean any one or more resolutions, indentures or other similar instruments of the SYSTEM providing for the issuance of Bonds.

"Community-Based Energy Systems" shall have the meaning given to this term in sec. 66.073(3)(am), Wis. Stats.

"Contract Demand" shall have the meaning given to this term in Section 2(a) of this Contract.

"Contract Demand Date" shall have the meaning given to

this term in Section 2(a) of this Contract.

"Delivery Points" shall mean all points at which the electric power and energy supplied to the Member under this Contract are delivered by, or on behalf of, the SYSTEM to the Member's electric distribution system. It is understood that the Delivery Points shall include any point of interconnection between any generating facility of the Member from which the SYSTEM is purchasing any power or energy and the Member's distribution system. The current Delivery Points are shown on Exhibit A to this Contract, which Exhibit also shows the location of all current metering related to service at each Delivery Point. Exhibit A shall be revised by the SYSTEM as needed when a new Delivery Point is added or other changes in delivery facilities are made.

"Long Term Power Supply Contracts for Participating Members" shall mean this Contract and all other contracts providing for the sale of power and energy by the SYSTEM to other Participating Members, which are designated as such by the SYSTEM, as amended from time to time.

"Member" shall mean the member of the SYSTEM which is a party to this Contract.

"Participating Members" shall mean the Member and those other members of the SYSTEM that are, or hereafter become, parties to Long Term Power Supply Contracts for Participating Members.

"Power Supply System" shall mean all properties and interests in properties of the SYSTEM, it being the intent that "Power Supply System" be broadly construed to encompass and include all Projects, all Community-Based Energy Systems, and all electric production, transmission, distribution, conservation, load management, general plant and other related facilities, equipment or property and any mine, well, pipeline, plant, structure or other facility for the development, production, manufacture, storage, fabrication or processing of fossil, nuclear or other fuel of any kind or any facility or rights with respect to the supply of water, in each case for use, in whole or in major part, in any of the SYSTEM's generating plants, now existing and hereafter acquired by lease, contract, purchase or otherwise or constructed by the SYSTEM, including any interest or participation of the SYSTEM in any such facilities or any rights to the output or capacity thereof, together with all additions, betterments, extensions and improvements to said Power Supply System or any part thereof hereafter made and together with all lands, easements and rights of way of the SYSTEM and all other works, property or structures of the SYSTEM and contract rights and other tangible and intangible assets of the SYSTEM used or useful in connection with or related to said Power Supply System, including without limitation a contract right or other contractual arrangement for the long-term or short-term interconnection, interchange, exchange, pooling, wheeling,

transmission, purchase or sale of electric power and energy and other similar arrangements with entities having generation and transmission capabilities and located within or without the State of Wisconsin. "Power Supply System" shall not include (i) any properties or interests in properties of the Member, except with respect to any contract rights the SYSTEM may have in such properties pursuant to any contract between the Member and the SYSTEM other than this Contract, and (ii) any properties or interests in properties of the SYSTEM which the Board of Directors of the SYSTEM determines shall not constitute a part of the Power Supply System for the purposes of the Long Term Power Supply Contracts for Participating Members.

"Project" shall mean any electric generation, transmission, distribution and general plant facilities, and all other property, real and personal, of every kind and nature material or pertinent thereto or necessary therefor, located within or without the State of Wisconsin, which may be used or useful in the generation, transmission, distribution, sale, purchase, exchange or interchange of electric power and energy, and in the supplying of electric power and energy to all those contracting with the SYSTEM therefor, as provided in the Act, including any interest therein or right to capacity thereof, and may include, without limitation, a divided or undivided interest in any electric generation, transmission, distribution or general plant facility in which the SYSTEM shall participate as an owner

in common with others, a contract right or other contractual arrangement for the short-term or long-term provision of electric power and energy, transmission and other services to the SYSTEM on a prepaid basis and the acquisition of water and fuel of any kind for such purposes, including the acquisition of water rights, fuel deposits and facilities for the development, production, processing, manufacture, fabrication, transportation and storage of water and fuel. A Project also may consist of property, facilities or equipment of any sort related to conservation of electric power and energy by Participating Members or the SYSTEM, management of the SYSTEM's or any Participating Member's electric load or any Community-Based Energy System.

"Prudent Utility Practice" shall mean any of the practices, methods and acts which, in the exercise of reasonable judgment in the light of the facts (including, but not limited to, any practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry prior thereto) known at the time the decision was made, could have been expected to accomplish the desired result at reasonable cost consistent with reliability, safety and expediency. In applying the standard of Prudent Utility Practice to any matter under this Contract, equitable consideration shall be given to the circumstances, requirements and obligations of each of the parties, and there shall be taken into account the fact that the

SYSTEM and the Member are both political subdivisions and municipal corporations of the State of Wisconsin with prescribed statutory powers, duties and responsibilities. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at reasonable cost consistent with reliability, safety and expediency. Prudent Utility Practice includes due regard for manufacturers' warranties and the requirements of governmental agencies which have jurisdiction.

"Rate Schedule" shall mean the rate schedule or schedules setting forth the rates and charges for payments by members, including the Member, for all services rendered by the SYSTEM pursuant to the Long-Term Power Supply Contracts for Participating Members. The initial Rate Schedule to be implemented by the SYSTEM is expected to be substantially in the form of Exhibit B attached hereto as revised and completed to reflect conditions in effect at the time of adoption of the initial Rate Schedule. The form of Exhibit B is based on information available to and assumptions made by the SYSTEM prior to the date of execution of this Contract. The Rate Schedule may be revised from time to time by new schedules adopted by the SYSTEM in the manner provided herein including, without limitation, any amendment, change, deletion or addition to any of

the rates and charges, billing components, terms or conditions, or any adjustment set forth therein, including, but not limited to, amending the billing demand provision to impose a minimum demand whether or not based on prior demand measurements, which schedules may be applicable to any one or more Participating Members.

"Revenue Requirements" shall mean all costs and expenses paid or incurred or to be paid or incurred by the SYSTEM resulting from the ownership, operation, maintenance, termination, retirement from service and decommissioning of, and repairs, renewals, replacements, additions, improvements, betterments and modifications to, the Power Supply System or otherwise relating to the acquisition and sale of power and energy, transmission, load management, conservation or related services hereunder and performance by the SYSTEM of its obligations under the Long Term Power Supply Contracts for Participating Members, including, without limitation, the following items of cost:

(1) payments of principal of and premium, if any, and interest on all Bonds issued by the SYSTEM and payments which the SYSTEM is required to make into any debt service reserve fund or account under the terms of any Bond Resolution or other contract with holders of Bonds; provided, however, that Revenue Requirements shall not include any principal of or premium, if any, or interest on Bonds due solely by virtue of the

acceleration of the maturity of such Bonds;

(2) amounts required under any Bond Resolution to be paid or deposited into any fund or account established by such Bond Resolution (other than funds and accounts referred to in clause (1) above), including any amounts required to be paid or deposited by reason of the transfer of moneys from such funds or accounts to the funds or accounts referred to in clause (1) above;

(3) amounts which the SYSTEM may be required to pay for the prevention or correction of any loss or damage to the Power Supply System or for renewals, replacements, repairs, additions, improvements, betterments, and modifications which are necessary to keep any facility of the Power Supply System, whether owned by the SYSTEM or available to the SYSTEM under any contract, in good operating condition or to prevent a loss of revenues therefrom;

(4) costs of operating and maintaining the Power Supply System and of producing and delivering power and energy therefrom (including, without limitation, fuel costs, administrative and general expenses and working capital, for fuel or otherwise, regulatory costs (including but not limited to wholesale rate case intervention costs), insurance premiums, and taxes or payments in lieu thereof) not included in the costs specified in the other items of this definition, costs of power supply and demand-side planning and implementation associated

with meeting the SYSTEM's power supply obligations and costs of load management and conservation;

(5) the cost of any electric power and energy purchased for resale by the SYSTEM under the Long Term Power Supply Contracts for Participating Members and the costs of transmission, scheduling, dispatching and controlling services for delivery of electric power and energy under the Long Term Power Supply Contracts for Participating Members;

(6) all costs incurred or associated with the salvage, discontinuance, decommissioning and disposition or sale of properties;

(7) all costs, settlements and expenses relating to injury and damage claims asserted against the SYSTEM;

(8) any additional cost or expense not specified in the other items of this definition imposed or permitted by any regulatory agency or which is paid or incurred by the SYSTEM relating to the Power Supply System or relating to the provision of services to Participating Members (including any amounts to be paid into any reserve account established by the SYSTEM under the terms of any Bond Resolution for the payment of Revenue Requirements in the future and any provision for depreciation) which is not otherwise included in any of the costs specified herein;

(9) amounts required to be paid by the SYSTEM under any contract to which it is a party not covered under any other

clause of this definition including, without limitation, amounts payable with respect to interest rate swaps whether as the servicer of the long-term or fixed rate interest or as the servicer of the short-term or variable rate interest;

(10) any reserves the SYSTEM shall determine to be necessary for the payment of those items of costs and expenses referred to in this definition to the extent not already included in any other clause of this definition; and

(11) additional amounts which must be realized by the SYSTEM in order to meet the requirement of any rate covenant with respect to coverage of principal of and interest on Bonds contained in any Bond Resolution or contract with holders of Bonds or which the SYSTEM deems advisable in the marketing of its Bonds.

"SYSTEM" shall mean the Wisconsin Public Power Incorporated SYSTEM.

"Taxable Bonds" shall have the meaning given to this term in Section 8(e)(iii) of this Contract.

"Tax Laws" shall have the meaning given to this term in Section 8(e) of this Contract.

Section 2. Sale, Delivery and Purchase of Electricity.

(a) Sale and Purchase. Pursuant to the terms of this Contract and except as provided in subsection (b) of this Section 2, the SYSTEM agrees to provide and sell and the Member agrees to take and pay for all of the electric power and energy

required for the operation of the Member's electric utility while this Contract is in effect; provided, however, that effective July 1, 2005, or any January 1 thereafter, upon at least 5 years' prior written notice to the SYSTEM, the Member may limit the maximum amount of power and energy required to be sold and delivered by the SYSTEM and purchased and received by the Member hereunder for the remainder of the term of this Contract to the Member's Contract Demand determined as follows: the "Contract Demand" shall be the average of the Member's monthly peak demands supplied by the SYSTEM under this Contract during the twenty-four (24) billing periods immediately preceding that date upon which such limitation shall commence. The date upon which any notice given hereunder to limit the SYSTEM's obligation to serve, and the Member's obligation to purchase, to the Member's Contract Demand takes effect shall be the "Contract Demand Date." Commencing on the Contract Demand Date, (i) the SYSTEM shall be required to make available to the Member each month power up to, but not more than, the Contract Demand and the Member shall be required to take and pay for its power requirements up to its Contract Demand each month; and (ii) the Member shall be entitled to schedule energy from the SYSTEM associated with the Member's Contract Demand in accordance with such scheduling requirements, restrictions and procedures as are established for Contract Demand service in the Rate Schedule. It is understood and agreed that the provisions of the Rate Schedule governing Contract

Demand service may establish the Contract Demand as the Member's billing demand and include minimum or maximum load factor requirements and other provisions which are designed to permit efficient dispatch of the SYSTEM's power supply resources for the benefit of all Participating Members.

If a notice is given hereunder by the Member, the SYSTEM shall determine the Member's Contract Demand within fifteen (15) days after the Contract Demand Date and shall give the Member prompt notice of this determination. In the year immediately preceding the Contract Demand Date the SYSTEM will consult with the Member concerning the Contract Demand service to be provided to the Member and shall establish the initial Rate Schedule provisions applicable to this service at least sixty (60) days prior to the Contract Demand Date. These Rate Schedule provisions shall be set by the SYSTEM in its discretion in accordance with Section 3 of this Contract and shall be subject to change at any time in accordance with that Section.

(b) Restrictions on Other Sources. Except as permitted under Section 2(a) above after the Contract Demand Date, the Member shall not obtain electric power and energy required for the operation of its electric utility system from any other source; provided, however, that this prohibition shall not apply to (i) power and/or energy being supplied, or to be supplied under a binding contract, to the Member by any retail customer of the Member at the time this Contract is executed by

the Member as set forth in Exhibit C to this Contract, and power and/or energy the Member is required by any law or action of any regulatory body to purchase from any source other than the SYSTEM, provided further that if prior to the Contract Demand Date the Member is so required by law or any regulatory body, the provisions of the second paragraph of this subsection (b) shall control with respect to any such purchase, and (ii) power and energy from any of the Member's existing generating facilities which are identified on Exhibit D to this Contract. The Member shall have the right to maintain and extend the life of the generating facilities identified on Exhibit D, but, except as identified on Exhibit D, shall not increase the capacity of those facilities or construct, install, or place in operation any additional generating facilities to supply any portion of its load without the express written consent of the SYSTEM, which consent shall not be unreasonably withheld, but which consent also shall be subject to any applicable restrictions and limitations in any Bond Resolution. In the event any such consent is given by the SYSTEM, Exhibit D shall be amended. Any generating facilities of the Member not identified in Exhibit D may be used for the purpose only of making wholesale sales of power and/or energy to other utilities, including the SYSTEM, or as permitted by the second paragraph of subsection (c) of this Section 2.

In the event that, prior to the Contract Demand Date,

the Member is required by law to purchase power and/or energy from any other source as described in clause (i) of this subsection (b), the Member shall immediately inform the SYSTEM of such requirement, and unless declined by the SYSTEM, the Member and the SYSTEM shall use their best efforts to arrange for such purchases to be made by the SYSTEM. If such arrangements cannot be made, then the Member shall make the required purchase and, unless declined by the SYSTEM, sell the power and energy purchased to the SYSTEM at the same price and on the same terms and conditions on which it was purchased by the Member, unless the SYSTEM and the Member agree otherwise. The Member hereby appoints the SYSTEM to act as its agent in all dealings with the owner or operator of any such facility from which power or energy is to be purchased by the SYSTEM directly or indirectly and in connection with all other matters relating to any such purchase and agrees, unless ordered to do so by a court of competent jurisdiction, not to make any such purchase at prices or on terms and conditions not approved by the SYSTEM.

Any required purchase of power and energy by the Member described in clause (i) of this subsection (b) which commences after the Contract Demand Date shall not decrease the Member's Contract Demand.

(c) Shortages. Except for the sale of any interruptible or curtailable power or any form of non-firm energy to the Member, in the event that the SYSTEM is not able to supply

all of the power and energy requirements of all Participating Members that the SYSTEM is required to supply under the Long Term Power Supply Contracts for Participating Members, the SYSTEM shall allocate the power and energy available to it during any billing period among the Member and the other Participating Members in accordance with this subsection to the extent practical given operating constraints and control area limitations. Prior to any Contract Demand Date for any Participating Member, the allocation shall be made pro rata in accordance with Participating Members' respective power and energy requirements supplied under the Long Term Power Supply Contracts for Participating Members during the corresponding billing period of the preceding calendar year. Where a Participating Member has not purchased power and energy from the SYSTEM during the corresponding billing period of the preceding calendar year, the Participating Member's purchases during such billing period from the supplier replaced by the SYSTEM under this Contract shall be used. After the Contract Demand Date for a Participating Member, the allocation will be determined in the same way, except that the Contract Demand for any such Participating Member shall be used for that Member.

During any period when the SYSTEM is unable to supply all of the Member's electric power and energy requirements that it is required to supply hereunder, the Member shall be permitted to acquire from other sources the amount of electric power and

energy which is not supplied by the SYSTEM; provided, however, that at such time as the SYSTEM is again able to supply all of the Member's electric power and energy requirements that it is required to supply hereunder, the Member shall be required to take and pay for such electric power and energy in accordance with the provisions of this Contract. For any outage period exceeding seventy-two (72) hours, the Member may require thirty (30) days' written notice from the SYSTEM before being required to recommence service. Otherwise, the notice period shall be the same as the length of the outage and the notice may be given orally.

(d) Continuity of Service. The SYSTEM shall in accordance with Prudent Utility Practice employ its best efforts to provide a constant, adequate and uninterrupted supply of power and energy under this Contract (other than any interruptible or curtailable power or non-firm energy provided to the Member at the Member's request pursuant to subsection (e) below) and shall seek to restore service promptly and diligently on any interruption, but the SYSTEM does not guarantee that service hereunder will be uninterrupted or at all times constant. If the supply of such electric power and energy to the Member hereunder shall fail or be interrupted or be reduced or become defective through an act of God, nature, common enemy, any power and energy or transmission service supplier of the SYSTEM or any public authority, or because of accident, riot, insurrection, war,

explosion, labor dispute, fire, flood or prudent actions taken to prevent or limit the extent or duration of disturbances of service on the system of the SYSTEM, or of one or more of its suppliers, or that of systems through which electric service is rendered to the SYSTEM or the Member, or any other cause beyond the reasonable control of the SYSTEM, the SYSTEM shall not be liable for damages caused thereby and such events shall not constitute a breach of the SYSTEM's obligations under this Contract. No cause or contingency, however, including any failure of the SYSTEM to supply electric power and energy to the Member for any period because of any of the aforesaid conditions, shall relieve the Member of its obligation to make all payments to the SYSTEM required by this Contract, when due, for power and energy supplied by the SYSTEM during any other period.

The SYSTEM may interrupt service hereunder as necessary for repairs to, or changes of, equipment or facilities needed to provide service hereunder, or for installation of new equipment or facilities, but only for such reasonable times as may be unavoidable, and to the extent possible with reasonable advance notice to, and in coordination with, the Member.

(e) Other Related Services. It is understood and agreed that as a part of the services provided by the SYSTEM under the Long Term Power Supply Contracts with Participating Members the SYSTEM may at the direction of its Board of Directors undertake energy conservation, load management and other

demand-side projects and provide any other services to the Participating Members related to the operation of the Power Supply System or the operation of the electric utilities of the Participating Members. These services may include interruptible, curtailable and various forms of non-firm power and energy services, in addition to other services such as joint equipment purchasing programs and management services. In addition, the SYSTEM may plan and develop such Community-Based Energy Systems as the SYSTEM's Board of Directors determines are appropriate for service to Participating Members hereunder. Interruptible, curtailable and other forms of non-firm power or energy will be supplied to the Member only upon mutual agreement of the parties.

Section 3. Rates and Charges.

The Member shall pay the SYSTEM for all power and energy and other services furnished under this Contract at the rates and on the terms and conditions set forth in the Rate Schedule, as the Rate Schedule may be changed and supplemented from time to time. The rates and charges contained in the Rate Schedule shall be set by the SYSTEM in accordance with the applicable provisions of the Contract for Establishment and Operation of the SYSTEM on file with the Secretary of State for the State of Wisconsin, as amended from time to time, the SYSTEM's Bylaws, and any applicable Bond Resolution. It is understood that the demand charge(s) in the Rate Schedule shall not be prorated for any month because of any temporary outage or

shortage of power. In the event that, during any portion of any billing period, electric power is made available to the Member by the SYSTEM in accordance with this Contract which power the Member is required to take and receive pursuant to Section 2 hereof but which the Member fails to take and receive, the Member shall pay the SYSTEM for such availability in accordance with the Rate Schedule, including any minimum billing provision. It is also understood and agreed that the Rate Schedule may provide that such payment for any billing period during which the Member shall fail to so take and receive shall be in an amount not less than the product of the demand charge(s) in the Rate Schedule times the billing demand determined as provided in the Rate Schedule except that, for such purpose, the kilowatts of demand for such billing period shall be based upon the kilowatts that should have been taken as evidenced by the electric power consumed by the Member's customers during the billing period.

The SYSTEM shall establish and maintain its rates and charges under its Long Term Power Supply Contracts for Participating Members, to provide revenues which are sufficient, together with other available funds of the SYSTEM, to cover the estimated Revenue Requirements of the SYSTEM. In determining charges necessary to produce sufficient revenues, the SYSTEM shall take into account any anticipated (or actual) delinquency or default in payments by Participating Members under the Long Term Power Supply Contracts for Participating Members.

The SYSTEM's rates and charges for service under its Long Term Power Supply Contracts for Participating Members in all events shall be reasonable and non-discriminatory and shall be determined on a cost-of-service basis. After a phase-in period not to exceed five (5) years from the date the SYSTEM first begins providing service under its Long Term Power Supply Contract for Participating Members, the SYSTEM'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. In addition, if the Member retains the right in Exhibit D to use any fossil fuel generation owned by it to meet its own load, it is understood that the Rate Schedule may impose demand nomination requirements on the Member whereby the Member will be required to nominate its power requirements to be purchased hereunder three years in advance and the Member's billing demand shall not be less than the applicable nomination. It is further understood and agreed that in establishing its rates for Contract Demand service the SYSTEM may collect all costs associated with the provision of such service, including but not limited to, all cost

impacts of energy scheduling by the Member at any load factor different than the average monthly load factor maintained by the Member for such month in the two years preceding the Contract Demand Date.

The SYSTEM's rates and charges hereunder may include one or more automatic adjustment clauses to ensure that the SYSTEM is protected against changing costs of fuel, purchased power, taxes, wholesale rate case interventions and other costs of service. The automatic adjustment clauses may use estimated costs, with a later true-up to actual costs.

At such intervals as it shall deem appropriate, but in no event less than once each calendar year, the SYSTEM shall review and, if necessary, revise its rates and charges under the Long Term Power Supply Contracts for Participating Members to ensure that those rates and charges continue to be sufficient to cover the SYSTEM's estimated Revenue Requirements. All such changes in rates and charges, including changes in billing components and other terms and conditions of service in the Rate Schedule, shall be adopted and approved by the SYSTEM's Board of Directors in accordance with the provisions governing rates in the Contract for Establishment and Operation of the SYSTEM, the SYSTEM's Bylaws, any other applicable rules and regulations of the SYSTEM and any applicable Bond Resolution. The Member agrees to pay such changed rates and charges as from time to time are placed into effect by the SYSTEM. Except for the operation of any

automatic adjustment clause or any rate change implemented pursuant to any provision or formula in the Rate Schedule, the SYSTEM shall give the Member sixty (60) days' prior written notice of any changes in rates and charges, billing components or other terms and conditions of service contained in the Rate Schedule.

Section 4. Payment Obligation.

(a) Nature of Obligation to Pay. The obligation of the Member to pay all rates and charges established by the SYSTEM under Section 3 above for power and energy and other services supplied hereunder shall not be subject to any reduction, whether by offset, counterclaim, recoupment or otherwise, and shall not be otherwise conditioned upon performance by the SYSTEM of its obligations under the Long Term Power Supply Contracts for Participating Members, or any other instrument or agreement. It is expressly understood that the Member shall be obligated to pay all rates and charges imposed hereunder for power and energy supplied hereunder regardless of whether any one or more Projects or other facilities of the Power Supply System, constructed, purchased or undertaken to provide service hereunder, are operating or operable at any time; provided, however, that except as provided by this subsection (a), nothing herein shall be construed to prevent or restrict the Member from asserting any rights which it may have against the SYSTEM under this Contract or under any provision of law, including the institution of legal

proceedings for specific performance or recovery of damages.

(b) Limitation on Obligation to Pay. All payments made by the Member for services hereunder shall be made as operating expenses from the revenues of the Member's electric utility system, or any integrated utility system of the Member of which the Member's electric utility system may be a part, and from other funds of such system legally available therefor and shall be in addition to, and not in substitution for, any other payments, whether on account of dues or otherwise, owed by the Member to the SYSTEM. The Member shall not be required to make payments under this Contract except from the revenues of the Member's electric system, or other integrated public utility system of which the electric system is a part, and from other funds of such system legally available therefor. In no event shall the SYSTEM, or any other person or entity, including any person or entity to which revenues under this Contract have been assigned or pledged, be entitled to look to, or seek to recover from, any other revenues, monies or property of the Member for payment of any amounts due hereunder. The obligation of the Member to make payments for services hereunder shall not constitute a general obligation of the Member and the Member shall not be required to make such payments from any source other than the revenues and funds referred to in the first two sentences of this paragraph. In no event shall the Member be required to make payments under this Contract from tax revenues

or to impose any new tax or adjust any existing tax for such purpose.

The Member's electric utility system shall be deemed to be a part of an integrated utility system for purposes of Sections 4(b), 8(a) and 8(c) hereof if the revenues of the electric utility system (i) are commingled with the revenues of one or more utility systems owned by the Member, or (ii) are utilized to pay operating expenses of the Member's electric utility system and one or more other utility systems owned by the Member, or (iii) are pledged to secure any bonds or other evidences of indebtedness issued to finance one or more utility systems owned by the Member. For purposes of this paragraph, the term "commingled" shall not be deemed to include the keeping of funds in one bank account so long as such funds are separately accounted for on the books and records of the Member. An integrated utility system shall not be deemed to exist hereunder merely (i) because the Member's electric utility and another utility of the Member are managed by the same commission or other public body, have common employees or facilities, the costs of which are shared, or undertake joint projects or (ii) where surplus funds from one utility which are legally available for transfer to the general fund of the Member are transferred or loaned to the other utility.

Section 5. Billing.

(a) Billing Procedure. The billing period under this

Contract shall be monthly. Each month, the SYSTEM shall mail a bill to the Member for all power and energy furnished to the Member, or made available to the Member where the Member has an obligation to take such power and/or energy and has not, under this Contract during the preceding billing period. The Member agrees to pay all such bills promptly, within fifteen (15) days of the date of the bill. Interest on unpaid amounts shall accrue daily at the then current prime interest rate per annum of the First Wisconsin National Bank of Milwaukee, from the due date of such unpaid amount until the date payment is received. It is agreed that the bill payment period and interest rate set in this subsection may be changed from time to time by the SYSTEM and incorporated in the Rate Schedule.

Whenever any amount due remains unpaid after the due date, the SYSTEM may take all steps available to it under applicable law to collect such amount and, subject to any applicable regulatory requirements, after giving thirty (30) days' advance notice in writing of its intention to do so, discontinue service hereunder. Whenever any amount due remains unpaid for one hundred twenty (120) or more days after the due date and after giving thirty (30) days' advance notice in writing of its intention to do so, the SYSTEM may terminate this Contract. No such discontinuance or termination shall relieve the Member from liability for payment for electric power and energy furnished hereunder, or made available to the Member where the Member has

an obligation to take such power and energy and has not, or for damages suffered by the SYSTEM, or any Participating Member, as a consequence of default by the Member. The SYSTEM may, either at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel the performance of the covenants, agreements, and obligations of the Member under this Contract to be performed by the Member or any officer thereof.

(b) Billing Disputes. In the event that the Member takes exception to a bill rendered by the SYSTEM, the Member shall pay the disputed amount and promptly inform the SYSTEM in writing of the basis for the dispute as soon as the Member knows of the basis for the dispute. The Member will not be entitled to any adjustment on account of any disputed charges which are not brought to the attention of the SYSTEM in the manner herein specified within thirty (30) days of when the Member first learns of the basis for the dispute. Within thirty (30) days of receipt of the notice of the dispute, including an explanation by the Member of the nature of the dispute, the SYSTEM shall respond to the Member's protest in writing. In the event it is determined that all or part of the disputed payment was not properly payable, then the SYSTEM shall refund such amount together with interest thereon from the date the amount was paid under protest until the refund is made at an annual rate equal to that established pursuant to subsection (a) above.

All billing adjustments sought by the Member, as well

as all billing adjustments made by the SYSTEM, shall be subject to the time limitation for unbilled service adjustments contained in sec. 196.635, Wis. Stats. (or any successor statute thereto), and any regulations adopted pursuant thereto. In addition, any billing adjustment sought by the Member which is related to the SYSTEM obtaining a similar billing adjustment from any transmission or power or energy supplier to the SYSTEM shall be dependent upon the SYSTEM obtaining a corresponding adjustment from its supplier. The SYSTEM shall pursue any such corresponding adjustment with due diligence, provided that the SYSTEM considers such adjustment to be appropriate.

Section 6. Delivery Conditions and Metering.

(a) Electric Characteristics. Except as shall be agreed upon by the parties, the electric service furnished under this Contract shall be 60 Hertz, three phase alternating current and shall be delivered to the Delivery Points and metered by the SYSTEM, or its designee, at such location or locations and such voltages as are shown on Exhibit A.

(b) Responsibility for Facilities. The SYSTEM's undertaking shall be complete upon the delivery of electric power and energy to the Delivery Points. Beyond the Delivery Points, except as the parties may agree otherwise, the Member shall furnish and maintain all devices, equipment and appliances, including but not limited to, control, protection, regulation and load shedding equipment, required to utilize safely and

efficiently the power and energy delivered by the SYSTEM.

If load growth or other power supply requirements necessitate upgrading the Delivery Point(s) or adding new Delivery Point(s), unless otherwise agreed between the SYSTEM and the Member, the Member shall be responsible for construction of, and the costs of, the new Delivery Point(s). The location of any new Delivery Point shall be subject to approval by the SYSTEM, which approval shall not be unreasonably withheld.

The Member shall provide, free of charge, suitable and sufficient space on its premises, including but not limited to all structures, enclosures and access facilities, for all electric facilities reasonably necessary for the SYSTEM to deliver and measure power and energy to the Member hereunder and shall grant to the SYSTEM, or the SYSTEM's designee, a right-of-way over the Member's premises and property for the construction and maintenance of all such facilities as shall be placed thereon which are reasonably necessary for the provision of service to the Member; provided, however, that the SYSTEM, or the SYSTEM's designee, will place and maintain only such facilities as are usual and customary in installations of the character covered by this Contract.

The design and operating characteristics of the Member's electrical equipment at the Delivery Points shall be coordinated with the SYSTEM and shall be subject to the SYSTEM's approval, which approval shall not be unreasonably withheld.

(c) Metering. Electric power and energy delivered under this Contract shall be measured, as to demand, energy and reactive energy, by suitable metering equipment, including any needed area interchange, totalizing or remote metering equipment, located, furnished, installed, maintained and tested by the SYSTEM, or its designated power or transmission supplier. It is understood that in some instances the metering equipment may not be located at the Delivery Points. All meters shall be kept under seal, such seals to be broken only when the meters are to be tested and maintained. When service is measured at or for more than one Delivery Point, the maximum demand of the Member's system for billing purposes shall be determined by combining the recorded demand for each Delivery Point during the same sixty (60) minute interval. This measurement interval may be changed by the SYSTEM and incorporated in the Rate Schedule as a part of any rate change. The Member shall be entitled to install its own back-up parallel metering. Meter testing procedures and requirements are set out in Exhibit E to this Contract. Exhibit E may be changed from time to time by the SYSTEM to be consistent with current utility practice in Wisconsin.

Section 7. Additional Covenants of the SYSTEM. The SYSTEM covenants and agrees as follows:

(a) Performance. The SYSTEM shall perform all of its obligations under this Contract promptly with due diligence in accordance with Prudent Utility Practice. The SYSTEM shall

employ its best efforts to provide adequate, reliable and low cost electric service to the Member under this Contract. To this end the SYSTEM shall plan to have such power and energy and transmission resources available, by contract or otherwise, as are necessary and desirable to meet the requirements of all Participating Members, including reasonably anticipated growth as projected by the SYSTEM. The duration and term of any such contracts shall be determined by the SYSTEM in light of its analysis of the power markets and determination of an appropriate mix of short, intermediate and long term resources.

(b) Enforcement of Obligations. The SYSTEM shall promptly collect all amounts due under the Long Term Power Supply Contracts for Participating Members, and shall at all times maintain and promptly and vigorously enforce its rights against any Participating Member which does not pay any such amounts when due. In addition, the SYSTEM shall diligently enforce all other provisions of the Long Term Power Supply Contracts for Participating Members.

(c) Records and Accounts. The SYSTEM shall keep accurate records and accounts of its operations in connection with this Contract in accordance with generally accepted accounting practices employed by Wisconsin electric utilities. The SYSTEM's books and records shall be audited independently once a year. The Member shall have the right at any reasonable time to examine and audit such records at the Member's expense.

(d) Prudent Utility Practice. The SYSTEM shall, in accordance with Prudent Utility Practice, (1) at all times operate and conduct its business in connection with this Contract in an efficient manner, (2) maintain its electric system in good repair, working order and condition, and (3) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to its electric system, so that at all times the business carried on in connection therewith shall be properly conducted.

Section 8. Additional Covenants of the Member. The Member covenants and agrees as follows:

(a) Maintenance of Rates. The Member shall seek approval from the Public Service Commission of Wisconsin, or any governmental agency with jurisdiction, promptly whenever necessary to increase the Member's rates for electric power and energy to its retail customers so that such rates shall provide revenues which, together with other funds estimated to be available, will be sufficient to meet the Member's obligations to the SYSTEM under this Contract, and all other operating expenses of the Member's electric system, and to pay all obligations of the Member payable from, or constituting a charge or lien on, the revenues of its electric system.

If the Member establishes or maintains an integrated utility system of which the electric system is a part for its electric, water, sanitary sewer, wastewater or similar utility

systems (or any combination of two or more thereof which includes its electric system), it shall seek approval from the Public Service Commission of Wisconsin, and any other governmental body with jurisdiction, promptly whenever necessary to increase its rates for the services provided to the customers of its integrated utility system so that such rates shall provide revenues, which, together with other funds estimated to be available, will be sufficient to meet the Member's obligations to the SYSTEM under this Contract, and all other operating expenses of the Member's integrated utility system, and to pay all obligations payable from, or constituting a charge or lien on, the revenues of its integrated utility system.

In the event that no regulatory approval is required in the future for the Member to increase its rates, the Member shall promptly increase its rates whenever necessary to meet the requirements of this subsection (a).

(b) No Sale or Lease. The Member shall not sell, lease or otherwise dispose of all or substantially all of its electric system except on one hundred twenty (120) days' prior written notice to the SYSTEM and, in any event, shall not so sell, lease or otherwise dispose of the same unless all of the following conditions are met: (i) at the sole option of the SYSTEM either (x) the Member shall assign this Contract and its rights and interests hereunder to the purchaser, assignee or lessee of the electric system and such purchaser, assignee or

lessee shall assume all obligations of the Member under this Contract in such a manner as shall assure the SYSTEM to its sole satisfaction that the amount of electric power and energy to be purchased hereunder and the amounts to be paid therefor will not be reduced, and if and to the extent deemed necessary by the SYSTEM in its sole discretion to reflect such assignment and assumption, the SYSTEM and such purchaser, assignee or lessee shall enter into an agreement supplemental to this Contract to clarify the terms on which power and energy are to be sold hereunder by the SYSTEM to such purchaser, assignee or lessee; or (y) such purchaser, assignee or lessee shall enter into a new contract with the SYSTEM for the purchase of electric power and energy in amounts, at prices and on terms which the SYSTEM in its sole discretion determines not to be less beneficial to it and the Participating Members than this Contract is and, upon such sale, lease or other disposition and the entering into of such new contract, this Contract shall be terminated; (ii) the senior debt, if any, of such purchaser, assignee or lessee, if such purchaser, assignee or lessee is not a Participating Member, shall be rated in one of the three highest whole rating categories by at least one nationally-recognized bond rating agency; and (iii) the SYSTEM shall by resolution determine that such sale, lease or other disposition will not adversely affect the Participating Members or the value of this Contract, or any new contract entered into pursuant to clause (i)(y) above, as

security for the payment of Bonds and interest thereon or affect the eligibility of interest on Bonds (whether then outstanding or thereafter to be issued) for Federal tax-exempt status. The SYSTEM shall make the determinations required by this subsection (b) within ninety (90) days of receipt by the SYSTEM of the notice referred to in the first sentence of this subsection (b) and shall set forth those determinations in writing to the Member.

(c) Prudent Utility Practice. The Member shall, in accordance with Prudent Utility Practice, (1) at all times operate its electric system, or integrated utility system of which the electric system is a part, and the business in connection therewith in an efficient manner, (2) maintain its electric system, or integrated utility system of which the electric system is a part, in good repair, working order and condition, and (3) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to the electric system, or integrated utility system of which the electric system is a part, so that at all times the business carried on in connection therewith shall be properly conducted.

(d) Operating Expenses. The Member represents, warrants and covenants that all payments to the SYSTEM pursuant to this Contract shall constitute operating expenses of the Member's electric system payable from any operating and main-

tenance fund established for such system, or for such integrated utility system of which the electric system is a part, and that such operating expenses are and shall remain payable from the revenues of the Member's electric system, or integrated utility system, prior (except to the extent that any provision in any existing bond ordinance or borrowing resolution of the Member governing outstanding obligations of the Member provides to the contrary) to payment of any debt service payable from such revenues.

(e) Tax Status. (i) Except as provided in clause (iii) below, the Member shall not use or permit to be used any of the electric power and energy acquired under this Contract in any manner or for any purpose or take any other action or omit to take any action which could, either alone or in conjunction with any other similar actions by the Member or other Participating Members, result in loss of the exclusion from gross income for Federal tax purposes of the interest on any Bond or Bonds issued by the SYSTEM, or which could be issued by the SYSTEM in the future, as that status is governed by the Federal income tax laws, as amended from time to time, including but not limited to, Section 141 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations or any rulings promulgated thereunder or as affected by a decision of any court of competent jurisdiction (collectively, the "Tax Laws").

(ii) At the time of execution of this Contract,

the Member has no contracts whereby any person, corporation, partnership or other non-governmental entity agrees to purchase from the Member electric power and/or energy provided to the Member under this Contract for a period of more than thirty (30) days except as shown on Exhibit F hereto, and the Member has no current expectation of entering into any such contracts, except as set forth in Exhibit F hereto. At least sixty (60) days prior to entering into any contract whereby any person, corporation, partnership or other non-governmental entity agrees to purchase from the Member electric power and/or energy provided to the Member under this Contract for a period of more than thirty (30) days, the Member shall notify the SYSTEM of its intent to enter into such contract and provide copies of such contract to the SYSTEM. Within sixty (60) days after receipt of such notice, the SYSTEM shall advise the Member as to whether, in the opinion of counsel of recognized standing in the field of law relating to municipal bonds selected by the SYSTEM, the entering into of such contract would result in a violation of the covenant in clause (i) above. The cost of this opinion shall be borne by the Member. Any determination by the SYSTEM that any such contract would violate the covenant set forth in clause (i) above shall be made by the SYSTEM based upon the aforementioned opinion. In the event that allocations are necessary under the Tax Laws to determine whether entering into any such contract violates the covenant set forth in clause (i) above, the SYSTEM shall make

such allocations, in its sole discretion, after receipt of an opinion of counsel of recognized standing in the field of law relating to municipal bonds selected by the SYSTEM and paid for by the Member.

(iii) Notwithstanding clause (i) above, the Member may enter into a contract determined by the SYSTEM pursuant to clause (ii) above to violate clause (i) if, but only if, the Member enters into a supplement to this Contract in form and substance satisfactory to the SYSTEM providing that the Member will bear and pay any and all increased costs allocated to it resulting from the issuance by the SYSTEM of Bonds, the interest on which is not excludable from gross income for Federal income tax purposes ("Taxable Bonds"). The SYSTEM in its sole discretion, after receipt of an opinion of counsel of recognized standing in the field of municipal bonds selected by the SYSTEM, shall allocate on a reasonable basis the increased interest costs associated with such Taxable Bonds to the Participating Members which have entered into any such contracts pursuant to this clause (iii). In the event that such an allocation is made, the SYSTEM shall bill the Member therefor as a surcharge on its power bill. Any such supplement shall contain such other terms and provisions as the SYSTEM deems reasonably necessary in order to preserve the tax-exempt status of any Bonds not intended by the SYSTEM to be Taxable Bonds, including, without limitation, a requirement that the Member pass on to the non-exempt user the

additional costs allocated to the Member.

Section 9. Term.

(a) Initial Term and Termination. This Contract shall take effect upon the date first written above and shall remain in effect for an initial term of thirty-five (35) years and thereafter until terminated by notice as provided in this subsection (a). This Contract may be terminated by either party upon five years' prior written notice to the other party effective at the end of the initial thirty-five (35) year period, or at any time thereafter, provided that no Bonds are outstanding at the time of proposed termination and no contractual commitments by the SYSTEM to purchase power and energy or transmission service to meet the SYSTEM's obligations hereunder are in effect and extend beyond the time of the proposed termination, and provided further that if no such Bonds are outstanding or existing contractual commitments are in effect on the proposed termination date, the five year notice period may be shortened to no less than two (2) years, if termination can be accomplished with no harm to the SYSTEM or the Participating Members because the SYSTEM determines in its discretion that the contractual or other arrangements made by the SYSTEM to supply the Member's power and energy requirements can be adjusted, absorbed or transferred to the Member without harm.

Except as otherwise expressly provided herein, in no event shall this Contract be terminated either at the end of its

initial term or at any time thereafter while any existing power supply commitments are outstanding or any Bonds are outstanding which are secured by an assignment or pledge of the revenues of the SYSTEM under this Contract. Any notice to terminate this Contract at or after the initial term shall be effective no earlier than (i) the date upon which such notice may become effective under the first paragraph of this subsection (a), (ii) the date when all Bonds outstanding on the date on which the notice is given are paid in full, or payment thereof has been provided for in a manner permitted by the Bond Resolution or other instrument governing such Bonds, or (iii) the date upon which the last existing contractual commitment of the SYSTEM made to obtain power and energy or transmission to meet the SYSTEM's obligations hereunder terminates, whichever is later. If the SYSTEM intends at any time to issue Bonds which will be outstanding beyond the date upon which this Contract could otherwise be terminated by the Member or to enter into a power supply or transmission contract to meet its obligations hereunder which would extend beyond the date upon which this Contract could otherwise be terminated by the Member, the SYSTEM will give the Member written notice of this fact no later than 120 days before the expected issuance of such Bonds or 90 days before the expected execution of such contract. If the Member wishes to terminate this Contract before the date upon which such Bonds are expected to be no longer outstanding or such contract is expected

to terminate, the Member shall give the SYSTEM a notice of termination of this Contract within 60 days of receipt of the SYSTEM's notice, specifying the termination date in accordance with the other requirements of this Section. If such a notice of termination is given, the SYSTEM shall not pledge its revenues under this Contract as security for any Bonds which are issued by the SYSTEM after receipt of such notice, for any period beyond the termination date specified by the Member and this Contract shall terminate in accordance with the Member's notice, provided that no Bonds issued prior to the Member's notice remain outstanding upon such termination date. The issuance of such a notice of termination shall not result in the Member becoming subject to rates and charges under Section 3 of this Contract which are different than those applicable to other Participating Members.

(b) Early Termination. Notwithstanding any other provision of this Contract, the Member and the SYSTEM each shall have the right to terminate this Contract if Participating Members with a combined non-coincident annual firm purchased power peak demand in 1988 of 150 MW have not entered into Long Term Power Supply Contracts for Participating Members by September 15, 1989. The SYSTEM will give the Member written notice promptly when this threshold is met and in any event will inform all Participating Members in writing of the status of the right created by this subsection (b) by September 25, 1989. To

exercise this right the party that wishes to terminate this Contract pursuant to this subsection must give written notice of such termination to the other party which is received by December 29, 1989, or such right shall expire permanently. It is understood that, so long as Participating Members with a combined non-coincident firm purchased power annual peak demand in 1988 of 150 MW have entered into Long Term Power Supply Contracts for Participating Members on or before September 15, 1989, this Contract shall not thereafter be terminable pursuant to the provisions of this paragraph, regardless of whether there shall subsequently be any determination by any court having jurisdiction under the circumstances, or otherwise, that any of said Contracts is void, voidable, unenforceable or, for any other reason, is or may be terminable or terminated.

Section 10. Commencement of Service and Cancellation of Existing Contract.

Service to the Member under this Contract shall commence on or before May 1, 1990, upon notice of not less than thirty (30) days by the SYSTEM to the Member; provided, however, that in no event shall service commence hereunder until such time as the SYSTEM has obtained the consent of any lender from which the SYSTEM has borrowed funds secured in part by its revenues from the Member under any other contract, to the substitution of this Contract as security for such debt. No rates or charges shall be imposed on the Member hereunder prior to the date service

commences. Simultaneously with the commencement of service under this Contract, the present five year All-Requirements or Partial Requirements Power Supply Contract between the Member and the SYSTEM shall terminate by mutual consent.

Section 11. Cooperation. If it becomes necessary by reason of any emergency or extraordinary condition for either the SYSTEM or the Member to request the other party to furnish personnel, materials, tools, or equipment for the accomplishment of its obligations hereunder, the other party shall cooperate with the requesting party and render such assistance as the other party may determine to be available. The party making such request, upon receipt of itemized bills from the other party, shall promptly reimburse the other party for all costs reasonably associated with providing assistance, including but not limited to costs of labor, supplies, facilities and equipment and may include an amount not to exceed ten percent (10%) of the total for administrative and general expenses; such costs are to be determined on the basis of current charges or rates used in its own operations by the party rendering the assistance.

Section 12. Assignment of Contract.

(a) This Contract shall inure to the benefit of and shall be binding upon the respective successors and assigns of the parties to this Contract; provided, however, that, except for any assignment by the SYSTEM authorized by subsection (b) of this Section, and except for any assignment by the Member in

connection with the sale, lease or other disposition of all or substantially all of its electric system as provided for in Section 8(b) above, neither this Contract nor any interest herein shall be transferred or assigned by either party, except with the consent in writing of the other party, which consent shall not be unreasonably withheld, it being understood that it would be reasonable for the SYSTEM to withhold such consent if such transfer or assignment would (i) reduce the total amount of electric power or energy being sold hereunder; (ii) be to a party (other than a Participating Member) with senior debt, if any, not rated in one of three highest whole rating categories by at least one nationally recognized bond rating agency; or (iii) adversely affect the value of this Contract or any new contract entered into pursuant to clause (i)(y) of Section 8(b) hereof as security for the payment of Bonds and interest thereon or affect the eligibility of interest on Bonds (whether then outstanding or thereafter to be issued) for federal tax-exempt status. No assignment or transfer of this Contract shall relieve the parties of any obligation hereunder, unless specifically agreed to in writing by the other party. It is understood and agreed that if this Contract is assigned or pledged by the SYSTEM pursuant to subsection (b) of this Section 12, no proposed assignment of this Contract by the Member shall be consented to by the SYSTEM, except in accordance with the terms of such assignment and pledge by the SYSTEM and any applicable Bond Resolution or other govern-

ing instrument of the SYSTEM, in addition to the foregoing.

(b) It is understood and agreed that the SYSTEM is likely to issue Bonds in connection with meeting its obligations under this Contract. The Member acknowledges and agrees that the SYSTEM may assign and pledge to any trustee or similar fiduciary designated in any Bond Resolution all of, or any interest in, the SYSTEM's right, title, and interest in, to and under this Contract and all payments to be made to the SYSTEM under the provisions of this Contract as security for the payment of the principal (including sinking fund installments) of, premium, if any, and interest on any Bonds and may deliver possession of this Contract to such trustee in connection therewith, and, upon such assignment, pledge and delivery, the SYSTEM may grant to such trustee any rights and remedies herein provided to the SYSTEM and thereupon any reference herein to the SYSTEM shall be deemed, with the necessary changes in detail, to include such trustee. The Member agrees to take all steps necessary to facilitate any such assignment and pledge.

Section 13. Insurance. The parties to this Contract shall each procure and maintain such policies of general liability insurance and other insurance as shall be necessary in accordance with Prudent Utility Practice to insure themselves against any claim or claims for damages arising by reason of property damage, personal injury or death occasioned directly or indirectly in connection with the operation of its electric system, or

integrated utility system of which the electric system is a part, or the performance of activities undertaken by it in connection with this Contract.

The SYSTEM and the Member shall maintain insurance on their electric facilities to cover damage or accident to those facilities in an amount consistent with Prudent Utility Practice.

Each party agrees to defend, indemnify and hold harmless the other party against any and all claims, liability, loss, damages or expense, including attorneys fees, caused by or resulting solely from the operation of the indemnifying party's electric facilities, or integrated utility system facilities, or solely from the negligent acts or omissions of the indemnifying party, its employees or agents. This provision is not intended to be, and shall not be construed to constitute, a waiver for any purpose as to any person or entity of any statutory claims procedure or statutory limitation on liability applicable to either party.

Section 14. Opinions as to Validity.

(a) Upon the execution and delivery of this Contract, the Member shall furnish the SYSTEM with an opinion by an attorney or firm of attorneys to the effect that (i) 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 this Contract and to perform its obligations hereunder, (ii) based upon the attorney's

knowledge and due investigation, no consent, order, waiver or any other action by any person, board or body, public or private, is required as of the date of execution of this Contract by the Member for the Member to enter into this Contract and to perform its obligations hereunder, (iii) based upon the attorney's knowledge and due investigation, there is no action, suit or proceeding 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 or its electric utility system (or, if the Member's electric utility system shall be deemed to be a part of an integrated utility system pursuant to the second paragraph of Section 4(b) of this Contract, such integrated utility system) which seeks to prohibit, restrain or enjoin the Member from entering into or complying with its obligations contained in this Contract, including payment obligations to the SYSTEM, or in any way affects or questions the validity or enforceability of this Contract, or in any way might materially adversely affect the Member's ability to carry out the transactions contemplated by this Contract, (iv) this Contract has been duly and validly authorized, executed and delivered by the Member and constitutes 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, and (v) the execution and delivery of this Contract and compliance by the Member with its terms 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 (other than any provision of the Internal Revenue Code or regulation promulgated thereunder), 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.

(b) Upon the execution and delivery of this Contract, the SYSTEM shall furnish the Member with an opinion by an attorney or firm of attorneys to the effect that (i) the SYSTEM is a political subdivision and body public and corporate of the State of Wisconsin and is fully authorized and empowered under the laws of the State of Wisconsin to enter into this Contract and to perform its obligations hereunder, (ii) based upon the attorney's knowledge and due investigation, no consent, order, waiver or any other action by any person, board or body, public or private, is required as of the date of execution of this Contract by the SYSTEM for the SYSTEM to enter into this Contract and to perform its obligations hereunder, (iii) based upon the attorney's knowledge and due investigation, there is no action, suit or proceeding at law or in equity or by or before any court, administrative agency, governmental instrumentality or other

agency pending or, to the best of such counsel's knowledge, threatened against or affecting the SYSTEM which seeks to prohibit, restrain or enjoin the SYSTEM from entering into or complying with its obligations contained in this Contract or in any way affects or questions the validity or enforceability of this Contract, or in any way might materially adversely affect the SYSTEM's ability to carry out the transactions contemplated by this Contract, (iv) this Contract has been duly and validly authorized, executed and delivered by the SYSTEM and constitutes a legal, valid and binding obligation of the SYSTEM 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, and (v) the execution and delivery of this Contract and compliance by the SYSTEM with its terms will not conflict with or constitute on the part of the SYSTEM 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 SYSTEM is subject or by which it is or its properties are or may be bound.

Section 15. Arbitration. Any controversy, claim, counter-claim, dispute, difference, or misunderstanding arising out of or relating to this Contract (including but not limited to any billing or metering dispute), or the breach thereof,

excluding contribution, indemnification or damages based on tortious conduct, shall be settled by arbitration before a panel of three arbitrators selected by the American Arbitration Association. The party desiring arbitration shall demand such arbitration by giving written notice to the other party setting forth the point or points in dispute. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect, subject further to the qualification that the arbitrators named under said rules shall be competent by virtue of education and experience in the particular matters subject to arbitration. Each party shall have rights of discovery in the manner provided under the rules governing civil actions in circuit court in the State of Wisconsin. The arbitrators shall have no authority to decide questions of law, but shall have jurisdiction and authority only to interpret or determine compliance with the provisions of this Contract insofar as shall be necessary to the determination of issues properly presented to the arbitrators. The arbitrators shall not have jurisdiction or authority to add to, detract from, or alter in any way the provisions of this Contract. This provision shall survive the termination of this Contract. Costs incurred in connection with the arbitration shall be paid in equal parts by the parties involved in the arbitration unless the award shall specify a different division of costs. Pending the final decision of the arbitrators of any

dispute hereunder, both parties agree to proceed diligently with the performance of all obligations under this Contract, including the payment when due by the Member of all amounts billed under this Contract.

Section 16. General Provisions.

(a) Regulation. This Contract, and the respective obligations of the parties hereunder, are subject to all valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction.

(b) Access and Information. Duly authorized representatives of the SYSTEM and the Member shall be permitted to enter the other's premises at all reasonable times in order to carry out the provisions of this Contract.

The SYSTEM and the Member will promptly furnish each other such information as may be reasonably requested from time to time in order to carry out more effectively the intent and purpose of this Contract, or as may be reasonably necessary and convenient in the conduct of the operations of the party requesting such information. Without limiting the generality of the foregoing, the Member shall, upon request, furnish to the SYSTEM all such information, certificates, engineering reports, feasibility reports, information relating to load forecasting and power supply planning, financial statements, opinions of counsel (including the opinion required by Section 14 hereof), official statements and other documents as shall be reasonably necessary

in connection with financings of the SYSTEM.

The Member shall assist the SYSTEM in forecasting the Member's power and energy requirements to be provided under this Contract. To this end the Member shall promptly provide the SYSTEM with notice of all anticipated changes in the Member's electric load and shall provide the SYSTEM with the Member's projected future power and energy requirements in such form or for such periods as the SYSTEM may from time to time request. The Member also shall provide the SYSTEM with all other information reasonably sought by the SYSTEM for the purpose of load forecasting and planning.

(c) Compliance with Terms of Service. The Member agrees to comply with all terms and conditions of service applicable to sales of power and energy and/or transmission service to the SYSTEM by any supplier for the Member's load. The SYSTEM shall provide the Member with a copy of all such terms and conditions of service.

(d) Demand-Side Programs. The Member agrees to cooperate with and implement any demand-side, conservation, load management and similar programs of the SYSTEM adopted in connection with the provision of service hereunder, including but not limited to any such programs undertaken in connection with obtaining regulatory approval of any Project.

(e) Relationship to and Compliance with Other

Instruments. It is recognized by the parties hereto that, in undertaking, or causing to be undertaken, the planning, financing, construction, acquisition, operation and maintenance of the Power Supply System, the SYSTEM must comply with the requirements of any Bond Resolution, any agreements for the purchase or transmission of power and energy, any agreement with any owner or co-owner of or participant or co-participant in any facility included in the Power Supply System relating to the construction, operation or maintenance thereof and all licenses, permits and regulatory approvals necessary for such planning, financing, construction, acquisition, operation and maintenance, and it is therefore agreed that the SYSTEM's performance under this Contract must be consistent with the terms and provisions of any Bond Resolution, any such agreements for the purchase or transmission of power and energy (including any provisions for the curtailment or interruption of power and energy or transmission service contained therein), any such agreement with any owner or co-owner of or participant or co-participant in any facility included in the Power Supply System and all such licenses, permits, and regulatory approvals.

(f) No Relationship Created. None of the provisions of this Contract are intended to create, nor shall they be deemed to create, any relationship between the parties other than that of independent entities contracting with each other solely for

the purpose of effectuating the provisions of this Contract. Neither party, nor any of their respective officers, agents or employees, shall be construed to be an officer, agent or employee of the other, solely by reason of the existence of this Contract. Neither party shall make any contract or representation, or incur any liability or obligation whatsoever, on behalf of or in the name of the other party.

(g) Amendment. Except as provided for expressly herein, neither this Contract nor any terms hereof may be terminated, amended, supplemented, waived or modified except by an instrument in writing executed by each party to this Contract.

(h) Governing Law. This Contract shall be governed by, and construed in accordance with, the laws of the State of Wisconsin.

(i) Delays and Waivers. The failure of either party to insist in any one or more instances upon the performance of any of the terms, covenants or conditions of this Contract shall not be construed as a waiver or relinquishment of the future performance of any other term, covenant or condition, but the defaulting party's obligation with respect to future performance of any other term shall continue in full force and effect. The failure of either party to take any action permitted to be taken by it by this Contract shall not be construed as a waiver or relinquishment of that party's right thereafter to take such action.

(j) Headings; References. The headings used in this Contract are for convenience only and shall not constitute a part of this Contract. Unless the context clearly requires otherwise, all references to "Sections" and other subdivisions are to the sections and subdivisions of this Contract.

(k) Severability. In the event that any of the terms, covenants or conditions of this Contract, or the application of any such term, covenant or condition, shall be held invalid as to any person or circumstance by any court having jurisdiction under the circumstances, the remainder of this Contract and the application of its terms, covenants or conditions to such persons or circumstances shall not be affected thereby. If any provision of this Contract is held invalid, the parties agree to negotiate a revision to this Contract which to the extent possible restores original intent of this Contract with respect to the invalid provision.

In the event that any of the terms, covenants or conditions of any Long Term Power Supply Contract for Participating Members (other than this Contract), or the application of any such term, covenant or condition, shall be held invalid as to any person or circumstance by any court having jurisdiction under the circumstances, it is agreed by the parties hereto that such invalidity shall have no effect whatsoever upon any of the terms, covenants or conditions of this Contract.

(l) Notices. Any notice required or permitted under

this Contract shall be in writing and shall be given by personal delivery or certified mail, return receipt requested, addressed as follows:

To the SYSTEM:	Wisconsin Public Power Inc. SYSTEM ATTN: General Manager 500 Simon Mall Sun Prairie, WI 53590
To the Member:	~~Robert E. Hogan~~, Manager ~~182 Main Street~~ Menasha, WI 54952

Either party may, by written notice, designate a different or additional address for notices to it. All notices hereunder shall be effective only upon receipt by the party to which notice is being given.

(m) Survivorship of Obligations. The termination of this Contract shall not discharge either party hereto from any obligation it owes to the other party under this Contract by reason of any transaction, loss, cost, damage, expense, or liability which shall occur or arise (or the circumstances, events, or basis of which shall occur or arise) prior to such termination. It is the intent of the parties hereby that any such obligation owed (whether the same shall be known or unknown at the termination of this Contract or whether the circumstances, events, or basis of the same shall be known or unknown at the termination of this Contract) shall survive the termination of this Contract.

IN WITNESS WHEREOF, the parties have caused this Contract to be executed by their duly authorized officers, as of the day and

year first above written.

WISCONSIN PUBLIC POWER INCORPORATED SYSTEM

By:

(SEAL)

President

Assistant Secretary and General Manager

CITY OF MENASHA

By:

(SEAL)

Mayor

City Clerk

7/19/89

Commission President

Commission Secretary

EXHIBIT A

DESCRIPTION IDENTIFYING DELIVERY POINTS, SHOWING METER LOCATIONS AND VOLTAGE LEVEL AND SETTING FORTH SPECIAL DELIVERY FACILITIES PROVISIONS

A. WPPI MEMBER:

Utility Name: *Menasha Utilities*

B. DELIVERY POINT(S):
No. 1

Name: *Menasha Melissa Substation*

Location: *410 Melissa Street, Menasha, Wisconsin 54952*

Description: *Three (3) phase, three (3) wire Delta power is delivered at 138 kV through a base rated 12 MVA transformer.*

Description of facilities ownership point: *The point of ownership change between facilities owned by The American Transmission Company and facilities owned by Menasha Utilities is where the 138 kV line terminates on first structure inside the substation.*

Metering Location Description and Voltage: *Revenue metering is form 9s, three element, three phase secondary metering at 13,800 volts. The meter is compensated for transformer losses. Metering equipment is owned by Menasha Utilities and the meter is owned by Wisconsin Public Power Inc.*

Additional Information Attached:
None Diagram(s)
None Special Provisions
Effective Date: *July 1, 2006*

No. 2

Name: *Menasha Tayco, Substation #1*

Location: *401 Tayco Street, Menasha, Wisconsin 54952*

Description: *Three (3) phase, three (3) wire Delta power is delivered at 138 kV through a base rated 50 MVA transformer.*

Administrative Document No. 8206

Description of facilities ownership point: *The point of ownership change between facilities owned by The American Transmission Company and facilities owned by Menasha Utilities is where the 138 kV line terminates on the transformer breaker structure inside the substation.*

Metering Location Description and Voltage: *Revenue metering is form 9s, three element, three phase secondary metering at 34,500 volts. The meter is compensated for transformer losses. Metering equipment is owned by Menasha Utilities and the meter is owned by Wisconsin Public Power Inc.*

Additional Information Attached:
None Diagram(s)
None Special Provisions
Effective Date: *July 1, 2006*

No. 3

Name: *Menasha Tayco, Substation #2*

Location: *401 Tayco Street, Menasha, Wisconsin 54952*

Description: *Three (3) phase, three (3) wire Delta power is delivered at 138 kV through a base rated 50 MVA transformer.*

Description of facilities ownership point: *The point of ownership change between facilities owned by The American Transmission Company and facilities owned by Menasha Utilities is where the 138 kV line terminates on the transformer breaker structure inside the substation.*

Metering Location Description and Voltage: *Revenue metering is form 9s, three element, three phase secondary metering at 34,500 volts. The meter is compensated for transformer losses. Metering equipment is owned my Menasha Utilities and the meter is owned by Wisconsin Public Power Inc.*

Additional Information Attached:
None Diagram(s)
None Special Provisions
Effective Date: *July 1, 2006*

No. 4

Name: *Menasha North Substation #1*

Location: *362 Ninth Street, Menasha, Wisconsin 54952*

Description: *Three (3) phase, three (3) wire Delta power is delivered at 138 kV through a base rated 15 MVA transformer.*

Description of facilities ownership point: *The point of ownership change between facilities owned by The American Transmission Company and facilities owned by Menasha Utilities is where the 138 kV line terminates on the transrupter structure inside the substation.*

Metering Location Description and Voltage: *Revenue metering is form 9s, three element, three phase secondary metering at 34,500 volts. The meter is compensated for transformer losses. Metering equipment is owned by Menasha Utilities and the meter is owned by Wisconsin Public Power Inc.*

Additional Information Attached:
None Diagram(s)
None Special Provisions
Effective Date: *July 1, 2006*

No. 5

Name: *Menasha North Substation #2*

Location: *362 Nineth Street, Menasha, Wisconsin 54952*

Description: *Three (3) phase, three (3) wire Delta power is delivered at 138 kV through a base rated12MVA transformer.*

Description of facilities ownership point: *The point of ownership change between facilities owned by The American Transmission Company and facilities owned by Menasha Utilities is where the 138 kV line terminates on the Transrupter structure inside the substation.*

Metering Location Description and Voltage: *Revenue metering is form 9s, three element, three phase secondary metering at 13,800 volts. The meter is compensated for transformer losses. Metering equipment is owned by Menasha Utilities and the meter is owned by Wisconsin Public power Inc.*

Additional Information Attached:
None Diagram(s)
None Special Provisions
Effective Date: *July 1, 2006*

No. 6

Name: *Menasha Meadows Substation*

Location: *1899 Natures Way, Menasha, Wisconsin 54952*

Description: *Three (3) phase, three (3) wire Delta power is delivered at 138 kV through a base rated 12 MVA transformer.*

Description of facilities ownership point: *The point of ownership change between facilities owned by The American Transmission Company and facilities owned by Menasha Utilities is where the 138 kV line terminates on the first structure inside the substation.*

Metering Location Description and Voltage: *Revenue metering is form 9s, three element, three phase secondary metering at 13,200 volts. The meter is compensated for Transformer losses. Metering equipment is owned by Menasha Utilities and the meter is owned by Wisconsin Public Power Inc.*

Additional Information Attached:
None Diagram(s)
None Special Provisions
Effective Date: *July 1, 2006*

EXHIBIT B

INITIAL RATE SCHEDULE FOR SERVICES PROVIDED UNDER LONG TERM POWER SUPPLY CONTRACTS FOR PARTICIPATING MEMBERS

WISCONSIN PUBLIC POWER, INC. SYSTEM

P.O. Box 44
Sun Prairie, Wisconsin 53590

SCHEDULE FOR FIRM REQUIREMENTS SERVICE

1. **Availability**

This schedule shall apply to all sales of firm power and energy to WPPI members pursuant to WPPI's Long Term Power Supply Contracts for participating members. This schedule, including all rates and charges herein, is subject to change by the WPPI Board of Directors, in accordance with the provisions of WPPI's Long Term Power Supply Contracts for participating members.

2. **Rates**

a. **Customer Charge**

$200.00 per month.

b. **Demand Charge**

The demand charge shall be:

$7.388 per kW per month of billing demand.

c. **Energy Charges**

The energy charges shall be:

$0.02645 per kWh on-peak usage
$0.02144 per kWh off-peak usage

d. **Reactive Component**

$0.000946 per rkVAh of Calculated Reactive Energy.

Effective: The rates in this Schedule have been designed using estimated fiscal year 1990 (year beginning July 1, 1989) costs for service to all WPPI members commencing on the date when service first begins under WPPI's Long Term Power Supply Contracts for participating members (the contracts) assuming that all members take service under the contracts and purchase all of their power and energy requirements under the contracts except for that portion of their requirements met by hydroelectric and other designated generation. This Schedule, including the rates and charges herein, may be changed by the WPPI Board of Directors before service commences if these assumptions prove incorrect or if costs change.

e. **Voltage Level Adjustments**

This rate applies to service furnished at voltage levels of 24,940, 26,400 or 34,500 volts and below. A discount of 4 percent shall be deducted from the bill when delivery is at 69,000 volts and metering is at voltage levels below 24,940 volts. A discount of 5 percent shall be deducted when delivery and metering is at 69,000 volts. The discount shall be 6 percent for delivery and metering at voltage levels greater than 69,000 volts. These discounts shall not apply to the Power Cost Adjustment (PCA) and Matching Factor calculations.

f. Payment of Bills

Bills will be rendered monthly and are due 15 days from date of the bill.

3. Determination of Billing Demands

The billed demand is equal to the measured maximum demand. The measured maximum demand shall be that demand in kilowatts necessary to supply the average kilowatts in 60 consecutive minutes (15 minutes for members in the NSP Rate Area until such time as NSP supplies billing data on a 60-minute interval basis) of greatest consumption of electricity by the customer during each billing month. Such measured maximum demand shall be determined from readings of permanently installed meters or, at the option of WPPI, by any standard methods or meters. The measured maximum demand for customers with more than 1 permanent supply point shall be the coincident maximum demand of all supply points.

4. Pricing Periods

Pricing periods for members in each Rate Area shall be the same as those defined by WPPI's primary supplier for each Rate Area:

a. On Peak Period

NSP Rate Area:	9:00 a.m. to 9:00 p.m., Monday through Friday, excluding specified holidays.
WP&L Rate Area:	8:00 a.m. to 10:00 p.m., Monday through Friday, excluding specified holidays.
WEPCO Rate Area:	8:00 a.m. to 8:00 p.m., Monday through Friday, excluding specified holidays.
WPSC Rate Area:	Winter - (Billing Months, October through May) 6:00 a.m. to 10:00 p.m., Monday through Friday, excluding specified holidays. Summer - (Billing Months, June through September) 7:00 a.m. to 11:00 p.m., Monday through Friday, excluding specified holidays.

b. **Off-Peak Period**

All times not specified as on-peak including all day Saturday and Sunday, New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day, on the date nationally designated to be celebrated as such. In the NSP and WPSC Rate Areas, Good Friday is also recognized as a holiday. Additionally, in the WPSC Rate Area, the Friday after Thanksgiving, the Day before Christmas and the Day before New Year's Day are also recognized as holidays.

5. Power Cost Adjustment Provisions

Demand Cost Adjustment

Demand charges shall be adjusted each month by the amount of a demand cost adjustment factor (DCA) that reflects the cost of supplying demand or power for the calendar month just completed. The base factor for the DCA is as follows:

$6.608 per kW

The monthly increase or decrease above or below the specified base is rounded to the nearest $0.001 per kW and applied to the monthly billing demand for the just completed calendar month. The DCA factor is determined as follows:

$$DCA = \frac{DC}{BD} - \text{Base Factor}$$

Where DC = the cost in the just completed calendar month of:

a) the customer and demand costs associated with all power purchases (including all demand wheeling costs and the cost of demand losses); and,
b) the demand cost associated with power generated by WPPI from owned or controlled units.

Where BD = the sum of the billing demands in the just completed calendar month.

The DCA base factor will be reviewed annually to determine the portion of the DCA base factor, if any, to be rolled into the Demand Charge.

Energy Cost Adjustment:

Energy charges shall be adjusted each month by the amount of an energy cost adjustment factor (ECA) that reflects the cost of supplying energy for the calendar month just completed. The base factor for the ECA is as follows:

$ .02369 per kWh

The monthly increase or decrease above or below the specified base is rounded to the nearest $0.00001 per kWh and applied to the kWh sold in the just completed calendar month. The energy cost adjustment factor is determined as follows:

$$ECA = \frac{EC}{ES} - \text{Base Factor}$$

Where EC = the cost in the just completed calendar month of:

a) the total energy costs associated with power purchases (including fuel cost adjustments, true-ups for energy usage in prior months, all energy wheeling costs and the cost of energy losses); and,

b) the total energy costs associated with power generated by WPPI from owned or controlled units.

Where ES = the energy sales in the just completed calendar month.

The ECA base factor will be reviewed annually to determine the portion of the ECA, if any, to be rolled into the Energy Charge.

6. Matching Factors

In addition to the demand charges shown in 2a), there will be a matching charge (or credit) in $/kW applied to each monthly billing demand to reflect the initial cost differences among the various rate areas in which members are located. The matching charge (or credit) shall be adjusted annually during the five years of service commencing on the first anniversary of service by reducing each charge or credit by 20% of the initial charge or credit until the charges and credits are eliminated at the end of the fifth year. This provision, like all provisions of this Schedule, is subject to change by the WPPI Board of Directors.

The Initial Matching Factors for each rate area are as follows:

NSP Rate Area:	($0.3370) per kW
WP&L Rate Area:	($1.0510) per kW
WEPCO Rate Area:	$0.1520 per kW
WPSC Rate Area:	$0.6860 per kW

7. Calculated Reactive Energy

Calculated reactive energy shall be the recorded monthly rkVAh adjusted as follows:

Calculated Reactive Energy = [rkVAh - (kWh x .484)]

Reactive energy shall be determined each billing month from readings registered by watt-hour meters and reactive component meters or, at the option of WPPI, by means of any standard methods or meters.

8. **Members by Rate Areas**

NSP Rate Area:	Black River Falls New Richmond River Falls Westby Whitehall
WP&L Rate Area:	Boscobel Columbus Cuba City Muscoda Sun Prairie Waunakee Waupun
WPSC Rate Area:	Algoma Eagle River New Holstein Sturgeon Bay Two Rivers
WEPCO Rate Area:	Cedarburg Florence Hartford Jefferson Kaukauna Lake Mills Menasha New London Oconomowoc Slinger Waterloo

EXHIBIT C

MEMBER EXISTING PURCHASES OF
POWER AND ENERGY FROM CUSTOMERS

Menasha - None

EXECUTION COPY

AMENDMENT TO EXHIBIT D OF MENASHA LONG TERM POWER SUPPLY CONTRACT

This Amendment to Exhibit D of the Long Term Power Supply Contract for Participating Members dated July 18, 1989 ("Amendment") is entered into on this 6th day of April, 2011 by and between the City of Menasha, ("Menasha") and WPPI Energy ("WPPI").

WHEREAS, Menasha and WPPI entered into a Long Term Power Supply Contract for Participating Members on July 18, 1989 ("Agreement");

WHEREAS, Menasha and WPPI wish to replace the Exhibit D of Agreement;

NOW, THEREFORE, the parties agree as follows:

A. All terms of the Agreement other than those amended by this Amendment remain unchanged and shall continue in full force and effect.

B. Exhibit D of the Agreement is deleted in its entirety and replaced with the Exhibit D attached hereto.

City of Menasha
By:

Mayor

Deborah A. Galeazzi
City Clerk

Mark L Allwardt
President, Menasha Utilities Commission

WPPI Energy
By:

Thomas S. Hanrahan, General Counsel

EXHIBIT D

MEMBER GENERATING FACILITIES WHICH MAY BE OPERATED BY MEMBER TO MEET A PORTION OF THE MEMBER'S RETAIL LOAD, INCLUDING IDENTIFICATION OF CAPACITY ADDITIONS AND RELATED PROVISIONS

[NONE]

Exhibit E

Meter Testing Procedure and Requirements

For purposes of this Exhibit E, the term "meter" refers to any electric meter, the data from which is needed by WPPI to produce a wholesale electric bill from WPPI to the Member.

In order to determine the power and energy delivered from WPPI to the Member under this Contract, data is required from one or more billing meters that are owned by one or more parties. Such data can come from meters owned by: 1) WPPI, 2) WPPI's designated power or transmission provider, 3) the Member, or 4) another party. Such meters may be located at: 1) transmission to distribution substations, 2) Member-owned generators, 3) WPPI-owned generators or 4) generators owned by a third party. To the extent reasonably practical, WPPI's policy is to own all meters.

All meters shall be capable of collecting and storing 15 minute load profile data for both real and reactive power. All meters shall be equipped with modems for convenience, efficiency and billing accuracy reasons, so that the data from the meters can be read remotely by WPPI on a standard interval basis. Any meter that is not owned by WPPI and is not remotely accessible by WPPI, must be read by the owner and the data from the meter must be provided to WPPI on a schedule, and in a format that is approved by WPPI.

All meters shall be tested and maintained in compliance with applicable legal requirements. The responsibility for and cost of all initial and periodic testing and all required maintenance shall be borne by the owner of the meter. All WPPI-owned meters shall be tested at least every four years. The Member shall be invited to witness the testing of any meter owned by WPPI. WPPI shall attempt to secure rights for WPPI and the Member to witness the testing of any meter that is owned by a party other than WPPI or the Member. The Member shall invite WPPI to witness the testing of any meter owned by the Member. The owner of the meter shall produce and maintain all meter records in accordance with applicable legal requirements. WPPI and the Member shall make such records available to each other upon request. Any meter that is found to be outside of applicable legal requirements for accuracy shall be promptly adjusted to be as close to 100% accurate as reasonably practical or replaced by a new meter that is as close to 100% accurate as reasonably practical. All responsibilities and cost associated with such adjustments or replacements shall be borne by the owner of the meter.

Either WPPI or the Member may request that the other party perform a special meter test on any meter owned by the other party, any time between regularly scheduled meter tests. Upon receiving such a request, the owner of the meter shall perform a meter test within a reasonable time period, following the same standards and procedures as used for regularly scheduled meter tests. If any special meter test reveals that the tested meter is registering within applicable legal requirements for

accuracy, the cost of the test shall be borne by the requestor of the test. If any special meter test reveals that the meter is registering outside of applicable legal requirements for accuracy, the cost of the test shall be borne by the owner of the meter. The account between the parties shall be adjusted as set forth in the following paragraph for meters found to be outside of Acceptable Accuracy Limits during special tests, just as it would for a meter found to be outside of Acceptable Accuracy Limits during regularly scheduled tests. For purposes of this Appendix E, Acceptable Accuracy Limits are 1% or less, above or below 100% accuracy.

No account adjustments will be made for meters found to be within applicable legal requirements for accuracy or outside of the applicable legal requirements for accuracy but within Acceptable Accuracy Limits. If, however, a meter is found to be registering outside of Acceptable Accuracy Limits, the account between the parties shall be adjusted for a period equal to; 1) one-half of the elapsed time since the last prior test, or 2) if a meter became defective or inaccurate at any reasonably ascertainable time, the adjustment shall extend back to such time. If the Member has a backup meter which has been tested and shown to be accurate, the backup meter data shall be used to determine when the Acceptable Accuracy Limit was first exceeded. Adjustments shall be made as close as possible to 100% accuracy for each applicable monthly billing. If there is no Member backup meter to reference, adjustments will be made based on the percentage of inaccuracy found through the meter test. If a Member backup meter is available, data from the backup meter will be used as the reference for "100% accuracy." Interest shall be paid on all account adjustments hereunder at the interest rate(s) set by the Wisconsin Public Service Commission for customer deposits, for the applicable period. Except with respect to interest, disputes with respect to metering shall be subject to the limitations set forth in Section 5(b) of this Contract and shall be subject to resolution by arbitration under Section 15 of this Contract.

Members may, at their sole discretion and cost, install backup meters at any location where there is a WPPI-owned meter. Backup metering may help WPPI and the Member avoid the problems which arise when a meter is damaged or otherwise becomes defective or inaccurate. When a backup meter is installed, it should collect and store data in the same format as WPPI's meter at that location. The Member shall test the backup meter whenever the applicable WPPI billing meter is tested. The Member shall compare the readings from the backup meter against the readings of the WPPI meter and bring any significant discrepancies to WPPI's attention promptly.

Approved by the WPPI Executive Committee on March 19, 2004. Effective March 19, 2004.

EXHIBIT F

MEMBER EXISTING AND ANTICIPATED CONTRACTS
WITH CUSTOMERS EXCEEDING THIRTY (30) DAYS

Menasha - Contract with Wisconsin
Tissue Mills dated April 26, 1989.

AMENDMENT NO. 1 TO

LONG TERM POWER SUPPLY CONTRACT

FOR PARTICIPATING MEMBERS

This Amendment No. 1 (the "Amendment"), to the Long Term Power Supply Contract for Participating Members dated October 7, 2002 between Wisconsin Public Power Inc. ("WPPI") and the City of Menasha (the "Member") (WPPI and the Member are collectively referred to as the "Parties") is entered into by the Parties effective January 1, 2003, as provided in Section 2 below.

WHEREAS, the Member is a member of WPPI and, like all other Participating Members, takes long-term all-requirements electric service from WPPI pursuant to WPPI's Long Term Power Supply Contract for Participating Members (the "Long Term Contract");

WHEREAS, the initial term of the Long Term Contract was thirty-five (35) years when Participating Members first executed the Long Term Contract in 1989, in order to enable WPPI to issue long term bonds to finance the costs of electric generation and transmission facilities;

WHEREAS, WPPI's revenues under the Long Term Contract have been pledged to secure the bonds issued by WPPI to finance ownership of WPPI's generating units, including Boswell 4 and South Fond du Lac Units 1 and 4;

WHEREAS, the current remaining initial term of the Long Term Contract is approximately twenty-two (22) years;

WHEREAS, it is necessary that Participating Members extend the initial term of the Long Term Contract 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;

WHEREAS, 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 Contract over the long term and WPPI wishes to be able to make new long term commitments in order to be able to do so;

WHEREAS, the acquisition, construction and financing of a new power supply resource must be separately approved by the Board of Directors in order for WPPI to proceed with a project;

WHEREAS, pursuant to Section 66.0825(11)(d), Wis. Stats., the bonds of WPPI are not debt of WPPI's Participating Members, including the Member, and the Member is not liable for any bonds issued by WPPI; and

WHEREAS, the Parties desire to make certain other changes to the Long Term Contract, as set forth in this Amendment;

NOW, THEREFORE, in consideration of the promises made herein, and other good and valuable consideration, the Parties agree as follows:

1. Terms. Unless otherwise specifically provided in this Amendment, all terms defined in the Long Term Contract shall have the same meaning when used in this Amendment. In this Amendment, the term "the Member's Contract" refers to the Long Term Contract between WPPI and the Member dated July 18, 1989.

2. Effective Date. This Amendment, upon due approval and execution by the Parties, shall take effect as of January 1, 2003, provided, however, that if less than

twenty-five (25) Members approve this Amendment prior to March 1, 2003, this Amendment shall be null and void and shall have no force and effect. Prior to April 1, 2003, WPPI shall certify in writing to each Participating Member, including the Member, that has executed this Amendment whether this threshold has been met and, if so, shall declare this Amendment to be in full force and effect as of January 1, 2003.

3. Name; References. The name "WISCONSIN PUBLIC POWER INCORPORATED SYSTEM . . . ("SYSTEM")" in the introductory paragraph of the Member's Contract is hereby changed to "Wisconsin Public Power Inc. . . . ("WPPI")."

4. Statutory Reference. To reflect that the former Section 66.073 of the Wisconsin Statutes has been renumbered as Section 66.0825 of the Wisconsin Statutes: (a) all references to "Section 66.073 of the Wisconsin Statutes," and "sec. 66.073, Wis. Stats." are hereby changed to "Section 66.0825 of the Wisconsin Statutes" and (b) all references to subsections of Section 66.073 of the Wisconsin Statutes or sec. 66.073, Wis. Stats. are hereby changed to corresponding subsections of Section 66.0825 of the Wisconsin Statutes.

5. Definitions.

(a) Section 1 of the Member's Contract shall be changed to eliminate the definition that "'SYSTEM' shall mean the Wisconsin Public Power Incorporated SYSTEM" and replaced with the following definition placed in its proper alphabetical order:

"WPPI" shall mean Wisconsin Public Power Inc.

(b) The Member's Contract shall be changed by deleting the words "the SYSTEM" wherever they appear and substituting therefor "WPPI."

6. Initial Term and Termination. The first sentence of Section 9(a) of the Member's Contract is hereby modified to state:

> 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, 2037, and thereafter until terminated by notice as provided in this subsection (a).

In the second sentence of Section 9(a) of the Member's Contract, the phrase "the initial thirty-five (35) year period" is hereby modified to state "the initial term."

7. Sale, Delivery and Purchase of Electricity. Section 2 of the Member's Contract is hereby modified by the addition of a new subsection (f) as follows:

> (f) Retail Competition: Since the time when the Long Term Power Supply Contracts for Participating Members were first entered into in 1989, the State of Wisconsin has considered whether to permit retail electric customers of Wisconsin public utilities, including the Member, to purchase their electric requirements in a competitive market from sources other than their traditional utility supplier. At the time the Amendment No. 1 to the Long Term Power Supply Contract for Participating Members is effective, Wisconsin continues to fully regulate retail electric service, exclusive retail service areas continue to exist and such competitive purchases are not permitted by Wisconsin law. In preparing for the possibility of retail competition in the future, the Members and WPPI have agreed upon the following construction of the obligations of the Members under the Long Term Power Supply Contract for Participating Members in the event retail competition is permitted in Wisconsin in the future, which construction is hereby agreed to by the Member:
>
> 1. A Member may not voluntarily permit a retail customer to purchase its electric requirements from sources other than the Member without consent of WPPI.

2. If the laws of the State of Wisconsin grant a retail customer, group of customers or all retail customers of the Member, the right to purchase electricity from sources other than the Member, the Member shall have a continuing obligation under this contract while it remains in effect, to seek to retain its customers and to market exclusively and diligently to such customers electric power and energy provided by WPPI.

3. If retail competition is permitted in the future in Wisconsin and the Member, despite its best efforts loses substantial load as a result, the Member agrees to seek to impose stranded cost recovery charges on departing customers necessary to cover the Member's share of any fixed costs of WPPI that become stranded within WPPI as a result of such losses of load, consistent with comparable stranded cost charges imposed by other Members in similar circumstances and as permitted by law and regulation.

8. Billing. Section 5(a) of the Member's Contract is modified by replacing "Interest on unpaid amounts shall accrue daily at the then current prime interest rate per annum of First Wisconsin National Bank of Milwaukee, from the due date of such unpaid amount until the date payment is received" with:

> Interest on unpaid amounts shall accrue at the lesser of (a) the per annum rate of interest equal to the prime lending rate as may from time to time be published in the Midwest edition of *The Wall Street Journal* under "Money Rates" on such day (or if not published on such day on the most recent preceding day on which published), and (b) the maximum rate permitted by applicable law.

9. Additional Covenants of the Member. Section 8(b) of the Member's Contract is hereby modified by the addition of a new (z) and an additional sentence at the end of the Section to state as follows:

> (b) No Sale or Lease. The Member shall not sell, lease or otherwise dispose of all or substantially all of its electric system except on one hundred twenty (120) days' prior written notice to WPPI and, in any event, shall not so sell, lease or otherwise dispose of the same unless all of

the following conditions are met: (i) at the sole option of WPPI either (x) the Member shall assign this Contract and its rights and interests hereunder to the purchaser, assignee or lessee of the electric system and such purchaser, assignee or lessee shall assume all obligations of the Member under this Contract in such a manner as shall assure WPPI to its sole satisfaction that the amount of electric power and energy to be purchased hereunder and the amounts to be paid therefor will not be reduced, and if and to the extent deemed necessary by WPPI in its sole discretion to reflect such assignment and assumption, WPPI and such purchaser, assignee or lessee shall enter into an agreement supplemental to this Contract to clarify the terms on which power and energy are to be sold hereunder by WPPI to such purchaser, assignee or lessee; (y) such purchaser, assignee or lessee shall enter into a new contract with WPPI for the purchase of electric power and energy in amounts, at prices and on terms which WPPI in its sole discretion determines not to be less beneficial to it and the Participating Members than this Contract is and, upon such sale, lease or other disposition and the entering into of such new contract, this Contract shall be terminated; or (z) the Member and such purchaser, assignee or lessee shall agree to terminate this Contract effective upon the date of such sale, assignment or lease and to release WPPI of any continuing obligation to provide electric service under this Contract or otherwise to the Member or such purchaser, assignee or lessee; (ii) unless WPPI elects to proceed under (i)(z) immediately above, the senior debt, if any, of such purchaser, assignee or lessee, if such purchaser, assignee or lessee is not a Participating Member, shall be rated in one of the three highest whole rating categories by at least one nationally-recognized bond rating agency; and (iii) WPPI shall by resolution determine that such sale, lease or other disposition will not adversely affect the Participating Members or the value of this Contract, or any new contract entered into pursuant to clause (i)(y) above, as security for the payment of Bonds and interest thereon or affect the eligibility of interest on Bonds (whether then outstanding or thereafter to be issued) for federal tax-exempt status. WPPI shall make the determinations required by this subsection (b) within ninety (90) days of receipt by WPPI of the notice referred to in the first sentence of this subsection (b) and shall set forth those determinations in writing to the Member. WPPI's option to elect to proceed under clause (i)(z) shall be subject to compliance with all provisions of the Bond Resolution, including without limitation, Section 712 thereof.

10. General Provisions. Section 16(b) of the Member's Contract is hereby modified by adding the following sentence to the end of the second paragraph:

The Member also shall provide WPPI with any and all information required by WPPI to comply with Rule 15c 2-12 of the regulations of the Securities and Exchange Commission (the "SEC") or any other rule or regulation promulgated by the SEC or similar governmental body in connection with disclosure requirements relating to municipal securities such as the Bonds.

11. Assignment of Contract. Section 12(a) of the Member's Contract is hereby modified by deletion of the remainder of the first sentence following the words "except with the consent in writing of the other party."

12. Counterparts. This Amendment may be executed in two or more counterparts with each copy being an original document, but together constituting one and the same agreement.

IN WITNESS WHEREOF, WPPI and the Member have duly approved and executed this Amendment No. 1 to the Long Term Power Supply Contract for Participating Members effective as of January 1, 2003.

WISCONSIN PUBLIC POWER INC.
By:

Dennis Horner
Chair of the Board of Directors

J. Leroy Thilly
Assistant Secretary and President and CEO

IN WITNESS WHEREOF, WPPI and the Member have duly approved and executed this Amendment No. 1 to the Long Term Power Supply Contract for Participating Members effective as of January 1, 2003.

THE CITY OF MENASHA
By:

Mayor

City Clerk

President, Menasha Water & Light Commission