AGENDA FOR THE COMMITTEE OF THE WHOLE AND REGULAR SESSION
MONDAY, OCTOBER 1, 2012 , 7: 00 PM
PRESIDING: THE HONORABLE JOSEPH R. PETERSON, MAYOR
CHAIRPERSON OF THE EVENING: THE HONORABLE SHERI M. FRICKE

ROLL CALL: BROWNING, DESANA, FRICKE, GALESKI, SABUDA, STEC

PRESENTATION:

PRESENTATION TO
WYANDOTTE CO-OP AND BISHOP CO-OP
IN RECOGNITION OF NATIONAL CO-OP MONTH

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PRESENTATION
INTRODUCTION OF ANGELA VENDITTI, MISS MICHIGAN 2012
BY PETER AND JANELLE ROSE
PAINT THE TOWN PINK COORDINATORS

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PRESENTATION
DISCUSSING MUNICIPAL SERVICES
FISCAL 2013 BUDGET, ELECTRIC, WATER AND TELECOMMUNICATIONS

COMMUNICATIONS MISCELLANEOUS:

1. Communication from Peter Rose PAINT THE TOWN PINK event coordinator relative to the festivities during breast cancer awareness month of October in the City of Wyandotte . (for complete listing of events go to www.facebook.com/tatas.taskforce)

2. Communication from Ashley Callahan and Ryan Krol submitting a request to utilize the city-owned grass area on the Southwest corner of 14th and Eureka for a birthday party to take place on Saturday, October 6, 2012 from 2:00 p.m. until evening time.

3. Communication from Tim Cote and Fred Mekolon, Rowing the Dotte Rowing regatta organizers taking place on Saturday, October 20, 2012 at BASF Park.

PERSONS IN THE AUDIENCE

COMMUNICATIONS FROM CITY AND OTHER OFFICIALS:

4. Communication from the Assistant General Manager of Municipal Service relative to the Municipal Services-Fiscal 2013 Budget-Electric, Water and Telecommunications.

5. Communication from the General Manager of Municipal Services regarding MPPA Energy Services Member Power Supply Portfolio Risk Management Election Form.

6. Communication from the General Manager of Municipal Services relative to the designation of the WMS General Manager as the Member authorized Representative under the MPPA Energy Services Project.

7. Communication from the General Manager of Municipal Services regarding the adoption of a WMS Natural Gas Risk Management and Hedge Policy.

8. Communication from the General Manager of Municipal Services regarding Cable Television Rate Adjustments.

9. Communication from the General Manager of Municipal Services relative to Water Rate Adjustments

10. Communication from the Superintendent of Recreation submitting various Recreation Rate Adjustments.

11. Communication from the Superintendent of Recreation submitting a contract for the rental of Yack Arena for the Annual John Paul II Catholic School Spring Fling Festival to be held on May 10th and 11th , 2013.

12. Communication from the City Engineer relative to Public Hearing PC #081412.

13. Communication from the Planning Commission regarding medical marijuana.

14. Communication from the Hearing Officer in the Engineering Department relative to a Show Cause Hearing for the property located at 2251-10th Street.

15. Communication from the City Engineer regarding Phase I Environmental Assessment for City Hall located at 3131 Biddle Avenue.

16. Communication from the City Engineer relative to changes to the Zoning Ordinance Section 2100.

17. Communication from the City Engineer submitting NSP2 Single Family Sales Program Guidelines.

18. Communication from the City Engineer regarding the 2012 Leaf Collection Schedule.

19. Communication from the Planning Commission regarding a First Reading of an Ordinance.

CITIZENS PARTICIPATION:

HEARINGS:

SHOW CAUSE HEARING REALTIVE TO
WHY THE STRUCTURE AT 3014-20TH STREET HAS
NOT BEEN DEMOLISHED OR REPAIRED IN
ACCORDANCE WITH THE CITY'S
PROPERTY MAINTENANCE ORDINANCE

FIRST READING OF AN ORDINANCE:

AN ORDINANCE ENTITLED
AN ORDINANCE TO AMEND CERTAIN PORTIONS OF
SECTIONS 2408,201,2201 AND 1301 OF THE
CITY OF WYANDOTTE ZONING ORDINANCE

AUTOMATIC REFERRAL:

1. Request for a Police escort to Pulaski Park at 1:00 p.m. on Sunday, October 14, 2012 after the noon celebration to take place at Our Lady of Mount Carmel Church located at the corner of 10th Street and Superior Blvd. PERMISSION GRANTED; COPIES TO POLICE, FIRE AND DEPARTMENT OF PUBLIC SERVICE to assist in procession.

REPORTS AND MINUTES:

Financial Services Daily Cash Receipts	September 12-20, 2012
Financial Services Daily Cash Receipts	September 26, 2012
Municipal Service Commission	September 18, 2012
Fire Commission Meeting	September 25, 2012
Fire Commission Meeting	September 11, 2012
Fire Fighter's Civil Service Commission	August 7, 2012
Fire Fighter's Civil Service Commission	July 12, 2012
Police Commission	September 11, 2012
Beautification Commission	September 12, 2012
Planning Commission Minutes	July 19, 2012
Planning Commission Minutes	September 20, 2012

PRESENTATION

OFFICIALS

William R. Griggs
CITY CLERK

Andrew A. Swiecki
CITY TREASURER

Colleen A. Keehn
CITY ASSESSOR

COUNCIL
Todd M. Browning
James R. DeSana
Sheri M. Sutherby-Fricke
Daniel E. Galeski
Leonard T. Sabuda
Lawrence S. Stec

CITY OF Wyandotte MICHIGAN • 1854

JOSEPH R. PETERSON
MAYOR

DATE: September 27, 2012

TO: William R. Griggs
City Clerk

FROM: Rosanne Flachsmann
Office of the Mayor & City Council

SUBJECT: **REVISED** PRESENTATIONS AT **10-1-12** COUNCIL MEETING

Monday, October 1, 2012

Presentation to
Wyandotte Co-op and Bishop Co-op
in recognition of National Co-op Month

* * *

Introduction of Miss Michigan, Angela Venditti
by Peter & Janelle Rose
Paint the Town Pink Coordinators

Please place this item at beginning of the agenda as you have so kindly done in the past. Feel free to contact me at X4544 if you have any questions. Thank you.

3131 Biddle Avenue • Wyandotte, Michigan 48192 • 734-324-4540 • Fax 734-324-4552 • email: mayor@wyan.org • www.wyandotte.net

PRESENTATION

PRESENTATION
FOR THE PURPOSE OF DISCUSSING
MUNICIPAL SERVICES
FISCAL 2013 BUDGET
ELECTRIC, WATER AND
TELECOMMUNICATIONS
MONDAY, OCTOBER 1, 2012
7:00 p.m. DURING THE REGULAR
COUNCIL MEETING
CITY COUNCIL CHAMBERS
3131 BIDDLE AVENUE
WYANDOTTE, MICHIGAN 48192

CHELSEA

The Chelsea Group, L.L.C. Chelsea • Willow Tree
2944 BIDDLE AVE., WYANDOTTE, MICHIGAN 48192
734.285.7020 • 734.285.0895 (FAX)

September 26, 2012

Dear Mayor and Council:

On behalf of the TaTas Task Force, I wish to thank you for your support that facilitated our ability to create and stage the impressive series of events that begin tonight as we Paint the Town Pink. Up until this year, Wyandotte has not been very visible or audible in matters pertaining to awareness, education and prevention during breast cancer awareness month. From this point forward, I believe we will be able to stake a very prominent claim. Efforts from national companies have done a great job of increasing awareness and helping fund good efforts. The City of Wyandotte is doing what we can, on a much more personal scale, to help as well, and to have some fun doing it. The Yes Ma'am program at Henry Ford Wyandotte Hospital has been actively engaged with our task force, and will also be the recipient of various efforts to help them help women that can't afford a mammogram. Our collaborative efforts have been humbling, gratifying and exciting.

Mayor and Council must take some credit for all of this, for seeing the merits and sharing in the enthusiasm. Our collective effort is significant enough to request that mayor Peterson issue a proclamation on behalf of the City of Wyandotte, exhorting all citizens and businesses throughout the City to Paint the Town Pink as we Educate, Remember, and Celebrate.

We are honored that Angela Venditti, Miss Michigan thinks enough of this series of initiatives to come back to Wyandotte, having spoken to Roosevelt students just two weeks ago about her primary passion of doing what she can to encourage young people to stay away from drugs. She's here with us tonight, and will be visiting with Paint the Town Pink Participants (look for the decals). She has many demands on her time and energies, so spending time with us tonight is greatly appreciated.

Here's looking forward to an interesting month in the City of Wyandotte. Downtown in particular is going to look significantly pinker than usual! There are posters all around that detail the planned events. Most importantly as you look around: Remember that this is only YEAR ONE.

Sincerely,

Peter Rose

The Chelsea Group

TaTas Task Force

2

September 27th 2012

Mayor Peterson and City Council members:

I am writing this letter is regards to the vacant grass area on the Southwest corner of 14th and Eureka. I am planning on having my son's 1st birthday party on Saturday October 6th from 2 p.m. till evening time. I was wondering if I would be able to utilize the space there for parking. I am anticipating approx. 60 people at my house for this event and figured if parking was available there it would accommodate the amount of guests I will be having. If you could please consider my request, I would greatly appreciate it. My name is Ashley Callahan and I reside at 3358 14th with my fiancé Ryan Krol. Feel free to contact us for further questioning. Thanks again for your time!

Ashley Callahan 734-915-4914

Ryan Krol 734-891-6743

Ashley X Callahan

3

September 18, 2012

The Honorable Mayor Peterson
And members of the City Council
City of Wyandotte
3131 Biddle Avenue
Wyandotte, MI 48192

Dear Mayor Peterson and Members of the City Council:

It is my pleasure to inform you that the Rowing the Dotte Fall Rowing Regatta will be contested on Saturday, October 20, 2012

We are expecting both boys' and girls' high school and college rowing teams to compete from around the mid-west region at this regatta.

We ask your permission to use the BASF Waterfront Park for this date and also ask for your support in providing the same type of superb assistance as has been afforded us in the past by the Division of Public Services and the Recreation Department.

We once again ask that Biddle Avenue be closed between Pine and Third Streets during the regatta to provide parking and storage for the visiting schools' busses and shell-trailers. We will work with the DPS to minimize the time that the street will be closed. We request that Biddle be closed from Saturday morning at 5am October 20th thru late afternoon.

We also look forward to the Mayor welcoming the out-of-town crews before the start of racing that Saturday morning.

We consistently receive complements every year about BASF Park and the city from the visiting crews, and are proud to play host to these dedicated male and female athletes.

In addition we do hear from local businesses that this event brings in extra business for our city.

Sincerely yours,
For The Wyandotte Boat Club

Tim Cote and Fred Mekolon
Regatta Organizers

CITY OF WYANDOTTE
REQUEST FOR COUNCIL ACTION

MEETING DATE: October 1, 2012 **AGENDA ITEM #** 4

ITEM: Municipal Services – Fiscal 2013 Budget – Electric, Water and Telecommunications

PRESENTER: Paul LaManes, Asst. to the General Manager

INDIVIDUALS IN ATTENDANCE: Melanie McCoy, General Manager, Jim French, Director of Power Supply, Steve Timcoe, Supt. of Cable, Bill Weirich, Supt. of Water

BACKGROUND: Operating and Capital Budgets for Electric and Water for FY2013 and the Operating Budget for Telecommunications for FY2013 as approved by the Municipal Services Commission and as recommended by WMS Management are being presented for review and concurrence of approval by the City Council. Approval of the Telecommunications Capital Budget has been held in abeyance by the Municipal Service Commission pending further recommendations and analysis and is not being presented for review by the City Council at this time.

STRATEGIC PLAN/GOALS: Fiscal responsibility

ACTION REQUESTED: Adopt a resolution concurring with the Wyandotte Municipal Service Commission's approval of the Electric Utility Operating & Capital Budget, Water Utility Operating & Capital Budget and Telecommunications Utility Operating Budget for Fiscal 2013.

BUDGET IMPLICATIONS & ACCOUNT NUMBER: Operating and capital budget for Fiscal 2013 for Electric and Water Departments and Operating Budget for Telecommunications Department for Fiscal 2013

IMPLEMENTATION PLAN: Forward budget to Finance effective October 1, 2012 for period 10/1/2012 – 9/30/2012 for input and tracking versus actual results in financial accounting software system.

COMMISSION RECOMMENDATION: Electric and Water Operating and Capital Budgets and the Telecommunications Operating Budget were approved by the Municipal Services Commission at the September 18, 2012 Municipal Services Commission meeting.

CITY ADMINISTRATOR'S RECOMMENDATION: Concur with recommendation.

LEGAL COUNSEL'S RECOMMENDATION: N/A

MAYOR'S RECOMMENDATION: Concur with recommendation.

LIST OF ATTACHMENTS

- Electric Utility Budget Fiscal Year 2012-2013
- Water Utility Budget Fiscal Year 2012-2013
- Telecommunications Utility Budget Fiscal Year 2012-2013

MODEL RESOLUTION:

RESOLUTION

Wyandotte, Michigan
Date: October 1, 2012

RESOLUTION by Councilman_____

BE IT RESOLVED by the City Council that Council Concurs with the Wyandotte Municipal Service Commission in the following resolution.

A Resolution approving the adoption of the Electric Utility Operating & Capital Budget for Fiscal 2012-2013, Water Utility Operating & Capital Budget for Fiscal 2012-2013 and Telecommunications Utility Operating Budget for Fiscal 2012-2013.

I move the adoption of the foregoing resolution.
MOTION by
Councilmen_____

Supported by Councilman_____

YEAS	COUNCIL	NAYS
	Browning	
	DeSana	
	Fricke	
	Galeski	
	Sabuda	
	Stec	

CITY OF WYANDOTTE
REQUEST FOR COUNCIL ACTION

5

MEETING DATE: October 1, 2012 **AGENDA ITEM #**

ITEM: Municipal Services – MPPA Energy Services Member Power Supply Portfolio Risk Management Election Form

PRESENTER: Melanie McCoy, General Manager

INDIVIDUALS IN ATTENDANCE: Jim French, Director of Power Supply

BACKGROUND: In order to purchase and supply electricity to our customers, WMS became a member of Michigan Public Power Agency(MPPA) in 2008 and a member of the Energy Services Project in 2012. WMS joined the Energy Services Project in order to enter into bilateral power purchase agreements. As part of the MPPA Energy Services Project, each member is required to provide their energy hedging plan to address their near term energy requirements. Currently WMS is generating power or purchasing power in the day ahead or real time market, depending on the most economical option. In order to facilitate the power supply contracts, members must select and complete the Power Supply Portfolio Risk Management Election Form and adopt a Hedge Policy. The Hedge Policy is designed to minimize risk. WMS has selected the 60 month Energy Hedge Plan. This plan is considered the stability plan and allows MPPA to fix WMS costs (that impact rate and budget risk) significantly for 24 months and less but still substantially through 60 months. While the current plan of purchasing power on the spot market has been advantageous in the short term, there is significant market risk. WMS Commission approved the Resolution 09-2012-05 to Adopt the MPPA Hedge Policy on September 11, 2012.

STRATEGIC PLAN/GOALS: Fiscal Responsibility

ACTION PLAN: Concur with WMS Resolution 09-2012-02.

BUDGET IMPLICATIONS & ACCOUNT NUMBER: Supports Power Supply Business Plan and Rate Projections.

IMPLEMENTATION PLAN: Member Authorized Representative will complete Member Power Supply Portfolio Risk Management Election Form.

COMMISSION RECOMMENDATION: Resolution 09-2012-02 approved

CITY ADMINISTRATOR'S RECOMMENDATION: ok

LEGAL COUNSEL'S RECOMMENDATION: Note attached and incorporated.

MAYOR'S RECOMMENDATION:

LIST OF ATTACHMENTS: Resolution 09-2012-02
MPPA Hedge Policy
Resolution 08-2012-05
Energy Services Agreement

MODEL RESOLUTION:

RESOLUTION

Wyandotte, Michigan
Date: October 1, 2012

RESOLUTION by Councilman_____

BE IT RESOLVED by the City Council that Council Concurs with the Wyandotte Municipal Service Commission in the following resolution.

A Resolution authorizing the adoption of the MPPA Hedge Policy and Completion of the Member Power Supply Portfolio Risk Management Election Form.

I move the adoption of the foregoing resolution.
MOTION by
Councilmen_____

Supported by Councilman_____

YEAS	COUNCIL	NAYS
	Browning	
	DeSana	
	Fricke	
	Galeski	
	Sabuda	
	Stec	

RESOLUTION 09-2012-02

Adoption of the MPPA Hedge Policy and Completion of the Member Power Supply Portfolio Risk Management Election Form

WHEREAS, Wyandotte Municipal Services (WMS), is a member of Michigan Public Power Agency (MPPA); and

WHEREAS, the Wyandotte Municipal Services Commission has passed resolution 08-2012-05 to join the MPPA Energy Services Project; and

WHERAS, the MPPA Energy Services Project requires that WMS adopt a Hedge Policy and that the Member Authorized Representative complete the Member Power Supply Portfolio Risk Management Election Form; and

WHERAS, WMS staff have completed the Member Power Supply Portfolio Risk Management Election Form and recommends a 60 month Energy Hedge Plan Election; now therefore

BE IT RESOLVED by the Wyandotte Municipal Service Commission, a majority of its members thereto concurring, that the Wyandotte Municipal Services hereby adopts the MPPA Hedge Policy and authorize the General Manger to sign the Member Power Supply Portfolio Risk Management Election Form with the 60 month Energy Hedge Plan Election.

ADOPTED this 11th day of September 2012.

ATTEST:

WYANDOTTE MUNICIPAL SERVICE COMMISSION

By:_____
President

By:_____
Secretary

MPPA Hedge Policy

I. Objective

The Michigan Public Power Agency (MPPA) Hedge Policy outlines the criteria and activities that will guide the disciplined hedging and management of power supply portfolio components for members who desire MPPA to do so on their behalf. MPPA's long-term (beyond the hedging "horizon" established below) asset evaluations shall continue to be provided under the status quo methodologies and therefore are not addressed by this Policy. The primary purposes of this policy are to identify and give members choices in their specific hedging plans and management services, and to provide MPPA clear guidelines and procedures on carrying out each member's desires.

This Policy provides for each member's selection of one of the following four energy hedging plans to address their near-term (within the hedging horizon) energy requirements. These plans are the:

- Short-Term Plan – 36 month hedging horizon
- Moderate Plan – 48 month hedging horizon
- Stability Plan – 60 month hedging horizon
- Self-Directed Plan (member shall provide MPPA with hedge orders)

Absent written direction otherwise, all members are under the Self-Directed Plan. Members will elect another hedge plan using Appendix A.

Alternative hedging plans are designed for MPPA to directly administer the reduction in member wholesale rate volatility consistent with members risk tolerances. Members in the Self-Directed Plan may also be hedging to reduce rate volatility, but such activities are directed by the member, with or without MPPA involvement.

With the exception of the Self-Directed option, each hedge plan will be implemented by MPPA in an effort to protect plan participants from significant market price fluctuations. The strategy also maintains some elements of procurement flexibility. For example, during times of extremely attractive market conditions, this policy allows for increasing the amount of forward energy hedged within a plan above the minimum hedge range. Each of the alternative hedge plans, except the Self-Directed Plan, will be overseen by a committee (called the Hedge Plan Committee or HPC) comprised of plan participant representatives (Authorized Representatives as defined in MPPA's Energy Risk Management Policy) and MPPA staff as ex-officio committee members.

Other components of a member's portfolio may be managed by MPPA at their discretion. MPPA outlines disciplined methodologies and processes for each of the following portfolio services:

- MISO Module E
- Peak Load Resource Planning and Hedging
- Congestion Management
- Renewable Energy Credits Management
- Intra-Month Optimization

While each member's portfolio will be addressed individually, to get fair and competitive market prices MPPA shall attempt to pool the hedging requirements of all its members within the various Plans when procuring resources. Therefore, effective and efficient execution of the overall hedge program will be highly dependant upon each member and the appropriate HPC providing clear and expedient authority for MPPA to enter into transactions on their behalf.

To carry out the overall MPPA risk management program and the activities set forth in this policy, MPPA has also adopted an Energy Risk Management Policy that clearly defines governance, decision making process, authority, controls, reporting, and oversight responsibilities. Together, the Energy Risk Management Policy and the Hedge Policy comprise MPPA's energy risk management program.

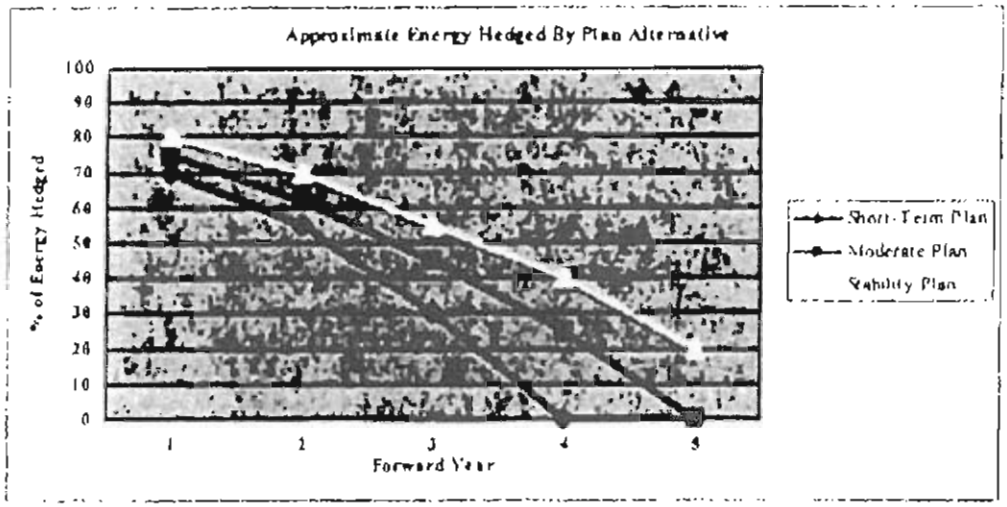
2. Member Power Supply Portfolio Risk Management Services

MPPA members may nominate one of four different energy hedge plan alternatives as summarized in section 2a. Except for the Self-Directed Plan, each plan outlines different energy hedging goals and ranges on a member-by-member basis.

MPPA also offers other portfolio managements services on an ala-carte basis as described in the following sections (2.b. through 2.e.) as requested by each member.

Appendix A of this document is a Member Selection Sheet that each member may complete to identify the energy hedge plan and the ala-carte services it desires from MPPA.

a. **Member Energy Hedging Plan Alternatives**
The following graph illustrates the approximate energy hedge levels for the 3 managed plans that will be directly administered by MPPA.



	Year 1			Year 2			Year 3			Year 4			Year 5		
	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
Short-Term Plan	65	70	80	45	55	60	25	30	35						
Moderate Plan	70	75	85	55	62	65	35	45	50	20	25	30			
Stability Plan	75	80	90	65	70	75	50	55	60	30	40	45	15	20	25

i. <u>Short-Term Plan</u> - **36 month hedging horizon**
The Short-Term Plan is designed to offer more up-side market opportunities (if the market heads lower) with the obvious trade-off of containing more down-side risk (if the market goes high). While this plan would be considered aggressive for some members that do not own significant base-load generation, it may be very suitable for those members owning such assets since their asset ownership provides a partial long-term hedge. This plan utilizes a 36 month hedging horizon with fairly high hedge levels for the initial two years, while the hedge level drops significantly after year 2. The target energy hedge range for the first 12 months of the plan is 65-80 %, 45-60% for months 13-24, and 25-35% for months 25-36. For the member that owns no base-load generation, this plan translates into a portfolio that has relatively low protection (higher risk) against forward price increases beyond 2 years, however, if market prices decline, members can secure lower cost power as the market drops.

ii. **Moderate Plan – 48 month hedging horizon**

The Moderate Plan offers greater rate and budget stability over the upcoming 24 months with moderate stability over the 25 to 48 month period. The plan employs an energy price averaging structure where energy hedging occurs at approximately 70-85% for the upcoming 12 months and annual hedging ranges decline by approximately 15-20% per year whereby approximately 20-30% of energy needs are procured for the final twelve month period (37 to 48 months forward).

iii. **Stability Plan – 60 month hedging horizon**

The Stability Plan offers the most rate and budget stability of all the plans. Energy cost stability will be significant for the initial 24 month period with less, but still substantial, stability through 60 months. A price averaging structure shall be employed where energy hedging occurs at approximately 75-90% for the upcoming 12 month period with hedged volumes gradually declining to 15-25% of energy needs for the final 12 month period (49 to 60 months forward).

iv. **Self-Directed Plan**

Members in the Self-Directed Plan shall plan for (with MPPA's assistance as desired), and then direct MPPA as necessary, regarding forward energy transactions. The member will submit a transaction request form for transactions it desires MPPA to enter and/or pursue on its behalf. Transaction request forms shall outline the precise terms of the transactions (e.g. maximum price, month of delivery, location, volume, on-peak/off-peak, etc.) and outline the purpose for the hedge (e.g. summer peaking, spring maintenance, 2012 base load). Additionally, requests can be made for MPPA to provide alternative hedge suggestions for very specific purposes or objectives.

b. **MISO Module-E Services**

MPPA shall record and if necessary procure Module E resources required by each member on an individual member basis. The description of Module E requirements and MPPA process for addressing the requirements is described in this section.

MISO's capacity requirement is explained in Module E of the MISO Tariff. All Load Serving Entities (LSEs) are required to report annual and monthly peak forecasts to the MISO by March 1st of each year for the upcoming planning year. An LSE must demonstrate to MISO it has capacity resources that qualify to meet its Resource Adequacy Requirement (RAR). LSEs must submit any change in the resources or forecast no later than thirty (30) days prior to first day of each calendar month in a planning period. The MISO may require system impact studies to be completed to help determine the

deliverability of resources[1]. Capacity resources will be accredited based on their operating reliability. Generators that are more reliable will qualify for more unforced capacity. Each member could be subject to significant penalties if it does not meet the requirements.

On an annual basis (for those members desiring MPPA services in these regards), MPPA, in conjunction with each member, will develop a Module E capacity procurement strategy that may be executed in parallel with its Peak Load Resource Planning and Hedging strategy (as desired) for the next three (3) planning years. Each Member Authorized Representative will sign off on the strategy, which will include an assessment of the risk contained within the strategy, and the Member Authorized Representative will then determine the approvals required for its implementation.

c. **Peak Load Resource Planning and Hedging Services**

Annual or even monthly energy hedge plans may not adequately address energy hedge levels during times when price risk is at its highest – during peak conditions during peak seasons. For example, a member could have 75% of its estimated energy hedged for the month of July, but, if actual conditions bring extreme heat, a 75% estimated hedge level may only provide price protection for 50% of the actual on-peak energy needs of the member. Furthermore, peak loads may be adequately covered by Module E capacity if the member possesses the energy rights to its registered Module E capacity. However, Module E capacity procured from the market often does not provide energy rights to the buyer, leaving the buyer exposed to energy price spikes during peak conditions. To adequately plan for price protection during these peak conditions, a Peak Load Resource Planning and Hedging Service shall be offered by MPPA.

MPPA shall work with each member to establish targeted peak load resource levels for the next three peak seasonal periods. The determination of an adequate peak load resource level should consider regional reserve margins, generation diversity, unit outage rates, market liquidity and depth, expected future resource transactions or plant construction, and the potential cost impact on if the member is short resources during periods of expected price volatility. Plans will be developed to maintain peak resource levels similar to the approach for energy hedges as illustrated in the table below. MPPA's approach calls for evaluating a target summer (July-August) and winter (January-February) resource level for upcoming peak periods. The target peak resource level will be monitored seasonally and resources must be secured for the upcoming period 2 months prior to the beginning of the Peak 1 season (i.e. by Oct 31st and April 30th). For example, if the sample plans below were being implemented for a member, if the upcoming Peak 1 season is winter (i.e. January – February), resources totaling 100-120% of native peak

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[1] *Firm Transmission is required if the generation source has not been deemed "deliverable" in the MISO region*

load requirements will be secured by the end of the prior October. Additionally, resources totaling 90-110% of forecasted native peak load for Peak 2, Summer (July – August) should be procured at this time, and 80-100% of the forecasted native peak load for Peak 3: Winter (next January-February).

	Peak 1	Peak 2	Peak 3
Target Range	100-120%	90-110%	80-100%

For purposes of compliance, the following products and instruments are considered to meet peak load resource requirements (although some of these products have yet to be approved for use by MPPA's Board):

- Firm Liquidated Damages 5X16 or 7X24 Energy Purchases
- Firm Liquidated Damages 5X16 or 7X24 Daily Fixed Price Call or Heat Rate Options
- OTC 5X16 or 7X24 Financial Swaps
- OTC 5X16 or 7X24 Financial Call Options
- Physical Plant Capacity Control and/or Ownership
- Firm Liquidated Damages Structured Purchased Power Contracts
- Unit Contingent Purchased Power Contracts (minimum 95% availability guarantee)

On rolling peak season basis, MPPA and each member will establish peak load resource plans similar to the format seen above. The plan will be developed in parallel with Module E resource planning. Each Member's Authorized Representative will sign off on the strategy, which will include an assessment of the associated risk. The Member Authorized Representative will also determine the approvals required for implementation.

d. **Congestion Management Services**

MPPA aggregates and procures Network Integration Transmission Service (NITS) on behalf of certain members. While the NITS Agreement with MISO will mitigate most of the delivery risk associated with native load energy delivery, it may not mitigate the financial impact of congestion risk. Congestion risk is the possibility of adverse price differentials between the location of the energy sources (e.g., Michigan Hub) and the location of native load. As a MISO NITS or long-term firm point-to-point transmission customer, a member has the right each year to participate in the MISO allocation process that results in awarding Auction Revenue Rights (ARRs). ARRs can subsequently be converted to Financial Transmission Rights (FTRs) for the members. FTRs provide a financial hedge against potential

adverse financial impacts of congestion risk. Alternatively, ARRs can be "cashed out" at the auction clearing price and that money returned to the members to serve as an "escrow" used to pay for potential congestion charges that may occur throughout the year. It will be MPPA's policy to actively participate in the MISO ARR allocation process according to aggregate NITS eligibility and cash out ARR revenues thereby providing an "escrow" of cash to hedge against potential congestion risk. Cash received on behalf of the NITS aggregate members is allocated back to those members on a load ratio share.

Notwithstanding this MPPA policy, congestion risk can be mitigated through participating in the Financial Transmission Rights (FTR) market, purchasing delivered energy, or entering basis swaps with a bilateral counterparty for all members regardless of whether or not they take NITS. It will be MPPA's policy that congestion risk be reported and discussed regularly with the Board or the appropriate Hedge Plan Committee and alternative congestion risk hedging tools shall be considered as necessary at a future time as determined by the MPPA Board or the appropriate committee.

e. **Renewable Energy Credits (RECs) Management Services**
MPPA will actively manage and comply with any State or Federal renewable energy requirements at the direction of the individual members or appropriate committee. A clear request and strategy for managing renewable energy portfolio requirements will be outlined and signed off by each Member Authorized Representative.

f. **Intra-Month Optimization Service**
To optimize and manage each Member's power supply portfolio in the current month, MPPA shall perform Day-Ahead Services as defined in Exhibit I of the Energy Services Agreement.

Furthermore, for the three managed energy hedge plans administered by MPPA, a minimum planned monthly hedge percentage of 75% shall be in place once the month begins, unless directed otherwise by the respective Member Authorized Representative. This assists in avoiding excessive exposure to spot market and short-term energy price spikes. For example, by November 30, MPPA will have a minimum of 75% of the total projected energy needs for December procured. Of course, this minimum amount can be hedged well before that date. Additionally, once a specific month begins it is expected that hedges will remain in place that maintain the 75% minimum hedge level. Should situations occur such as unexpected generation outages, jointly-owned-unit allocations falling short of anticipated volumes, or native load being higher than projected, then hedged volumes for the current month may in fact fall short of the 75% minimum hedge requirement. If this occurs, then it will be reported to the affected member immediately and a strategy to

address the shortfall will be appropriately discussed and implemented if possible.

3. Energy Hedge Plan Methodologies and Criteria

The methodology and energy hedge ranges of the three energy hedge plans administered by MPPA are further discussed in this section.

a. Energy Hedging Methodology

Each energy hedge plan employs a total energy hedging methodology whereby the MWh equivalent of all energy hedges are compared to the expected native load of the member on a monthly basis. Total energy hedged is the MWh equivalent of the sum of fuel purchases and electricity purchases. A total energy hedge methodology will be employed whereby generation units will not be considered an energy hedge towards native load needs until the respective fuel requirements to determine the cost to generate power are hedged with a fixed price physical purchase. The MWh equivalent hedge from fuel purchases will be the volume of fuel procured (in MMBTUs) for the unit or contract divided by the expected average heat rate of the generation unit or contract divided by 1,000.

b. Hedge Ranges

A key criterion of this Policy is to have energy prices hedged within defined volumetric ranges during specified timeframes as illustrated in the table contained in Section 2a. Ranges identify the percentage of projected energy requirements that will be procured over a given time period. For use within this Policy, energy needs are considered price hedged or procured to the extent that the projected need is met by:

i. fixed price physical or financial power transactions
ii. generation ownership (member or jointly owned) or heat rate transactions combined with corresponding physical or financial fixed price fuel transactions (by unit or transaction for the actual fuel exposure)
iii. call options on power or fuel, provided that options do not account for more than 15% of the projected total energy price hedge requirements in any given monthly period <u>and</u> they are no greater than 50% out of the money at the time the option transaction is entered

Since MPPA has no responsibility or authority for hedging or procuring fuel for member owned or it's jointly owned generation units, MPPA must develop assumptions based on best available information for the amount of fuel hedged for these base-load units. Appendix A provides the process used for developing and maintaining such assumptions. Since price hedges for fuel used for natural gas and oil peaking units are generally not hedged in advance it shall be assumed that the expected output of these units is hedged at 0% for

energy hedging purposes. Should MPPA fuel hedging responsibilities change in the future then these assumptions and methods shall be modified accordingly.

4. Execution Strategies and Reporting

MPPA shall develop execution strategies and risk and compliance reporting for the three plans it administers and the ala-carte services selected by each member. The following outlines these activities.

a. Execution Strategies

Execution strategies will be regularly developed in support of the services outlined in the hedging policy. Hedges will be entered based on disciplined and systematic methodologies to comply with this policy. Execution strategies will include considerations of hedge timing, market price levels, policy compliance requirements, and other relevant factors. Execution strategies for the Energy Hedge Plans will be approved by the respective Hedge Plan Committees as often as necessary. Execution Strategies for the ala-carte services will be approved by the individual members participating.

Execution strategies are reviewed periodically and evolve over time. Such reviews are an important aspect of the hedging policy. Once approved, execution strategies will be firmly followed, however, they may be modified through the Hedge Plan Committees or by individual members desiring changes.

b. **Hedging Review Cycle and Reporting Schedule**
The following establishes the Hedge Plan review and reporting schedule.

	Review Cycle	Reporting Period
Short-term Plan Reporting (monthly detail)	Quarterly 1/1, 4/1, 7/1 and 10/1	Balance of current calendar year and next calendar year
Long-term Plan Reporting (calendar year detail)	Semi-Annually 1/1 7/1	Hedging horizon (including current year) Hedging horizon (beginning in six months)

5. <u>Responsibility</u>

It shall be the responsibility of each Hedge Plan Committee, the MPPA Board, the GM, and the MPPA Internal Risk Management Committee to ensure compliance with this policy. Implementation of this policy shall also adhere to the Energy Risk Management Policy.

Approved:_____ Attest:_____
Chair Secretary

Effective: _____

Appendix A – Member Power Supply Portfolio Risk Management Election Form

1. **Energy Hedge Plan Election (Check one)**
   Short Term Plan - 36 Month Horizon
   Moderate Plan – 48 Month Horizon
   X Stability Plan – 60 Month Horizon
   Self Directed Plan

Please accept or decline each of the following services described herein

2. **MISO Module E Services (required if using MPPA for market participation with MISO)**
   X Accept
   Decline

3. **Peak Load Resource Planning and Hedging Services**
   X Accept
   Decline

4. **Renewable Energy Credit Management Services**
   X Accept
   Decline

5. **Intra-Month Optimization Services (required if using MPPA for market participation with MISO)**
   X Accept
   Decline

_____ _____
Signature of Member Authorized Representative **Date**

_____
Printed Name of Authorized Representative

_____
Name of Member

Appendix B - Fuel Hedge Assumptions for Base-Load Generation Units

MPPA and its members own or jointly own base-load generation units that provide a portion of the required energy hedges. MPPA does not control fuel hedging for these units so the amount of fixed price fuel hedged for each unit is estimated based on best available information. MPPA attempts to glean fuel hedge information from its members or the controlling party to the jointly owned units. For portfolio modeling and hedge plan compliance purposes, the table below will be used to identify the amount of fuel that is hedged for each base-load generation unit or alternatively the equivalent percentage of electric energy considered hedged for each generation resource.

Generation Unit	Total MW	Fuel	Fuel Hedge Mos. 1-12	Fuel Hedge Mos. 13-24	Fuel Hedge Mos. 25-36	Fuel Hedge Mos. 37-48	Fuel Hedge Mos. 49-60
Belle River	83	Coal	100%	70%	40%	0%	0%
Campbell	40	Coal	100%	70%	40%	0%	0%
Grand Haven	74	Coal	100%	70%	40%	0%	0%
Holland	58	Coal	100%	70%	40%	0%	0%
Wyandotte	70	Coal	100%	70%	40%	0%	0%

This table will be updated and validated on a regular basis and changes to joint owned unit assumptions must be approved by the MPPA Board.

RESOLUTION 08-2012-05

AUTHORIZING THE GENERAL MANAGER TO EXECUTE THE MPPA ENERGY SERVICES AGREEMENT

WHEREAS, Wyandotte Municipal Services, wish to enter into bilateral power purchase agreements; and

WHEREAS, Michigan Public Power Agency (MPPA) was organized under Act 448 to provide a means for those Michigan municipalities which are members of MPPA to secure electric power and energy for their present and future needs; and

WHERAS, on March 11, 2009, the MPPA Board of Commissioners by action in an open meeting created the Energy Services Project (Project) and;

WHERAS, MPPA has, acquired the personnel, systems, and facilities necessary to provide the needed energy services for WMS; now therefore

BE IT RESOLVED by the Wyandotte Municipal Service Commission, a majority of its members thereto concurring, that the General Manager be and hereby is authorized to execute the attached MPPA Energy Services Agreement and become a member of the Energy Services Project.

ADOPTED this 21st day of August 2012.

ATTEST:

WYANDOTTE MUNICIPAL SERVICE COMMISSION

By:_____
President

By:_____
Secretary

EXHIBIT 1

Energy Services
To be provided by
Michigan Public Power Agency

The following listing identifies those services that the MPPA will perform for the Participant.

1. **General Provisions**

   a. The Project will share facilities, software and personnel with the other MPPA projects and committees, since all of these projects will need enhanced scheduling services under the RTO structure.

   b. Personnel charges against the Project will be based on personnel time charged specifically for the Energy Services contained herein and additional services as agreed to by MPPA and the Participant.

   c. MPPA overheads will be allocated to the Project in a manner agreed to and approved by the MPPA Energy Services Project Committee.

   d. If the Participant has generating resources, then the Participant will provide to MPPA information on generating resource availability, maintenance scheduling, and other necessary information on an on-going basis.

   e. MPPA and the Participant will jointly develop an operating plan that will define in detail the responsibilities and duties of the parties and the procedures to be used in the provision of the Energy Services.

   f. MPPA shall perform Energy Services in accordance with Exhibit 2, MPPA's Energy Services Risk Management Policy

2. **Detail of "Day Ahead" Services.**

   Note: References to Participant generating resources and supply offers apply only to the resources and offers of those Participants that have designated such Participant resources to be included in these Energy Services.

   a. All Day Ahead services will be performed in accordance with Participant directions on risk and procedures as specified in Exhibit 2. The Participant will provide direction to MPPA on risk parameters and operating procedures, and may have direct input in other areas.

b. Day Ahead services will include:

i. Transaction and transmission procurement as needed as well as transaction tagging when necessary.

ii. Developing and updating each weekday that is not an MPPA holiday, an operating plan that spans from the current day to the fifth future day (Participant will provide data if requested by MPPA, and may review plan via the MPPA Portal prior to implementation). The operating plan will include the following tasks and activities:

(1) Preparation of hourly load forecasts for the next five days.
(2) Reviewing the forecast loads against expected resources and resource availability.
(3) Reviewing recent and expected RTO pricing.
(4) Preparation of a plan to economically and reliably meet expected loads using risk parameters as approved by the Participant.

iii. Perform scheduling and initiate transactions:

(1) Receive and review current day actual loads for Participant.
(2) Review next day load forecast from software or forecast service.
(3) Prepare next day load forecast.
(4) Review of current and expected next day RTO costs.
(5) Review of Participant generation status
    (a) Participant will provide regular updates on resource availability and bid/offer pricing.
    (b) Participant personnel will provide "Must Run" scheduling of resources.
(6) Develop recommended wholesale purchases or sales subject to limits and risk policies.
(7) Prepare and submit hourly FinScheds for purchase/sales transactions.
(8) Prepare bids and offers for submission to RTO, including any demand bids, generation offers and/or virtual bids and offers.
(9) Prepare and submit data to RTO through market interface software, including
    (a) Load forecast,
    (b) FinScheds,
    (c) Internal bilateral schedules,
    (d) External bilateral schedules,
    (e) Price sensitive demand bids

(10) Review prior day's FinScheds against actual flows

(11) Submit adjusted FinScheds to RTO through market interface software, when necessary.
(12) Schedule transmission, as necessary, for Participants using point-to-point transmission service.

c. Perform RTO Registration filings, as necessary

i. Submit RTO Quarterly Commercial Model updates
ii. Submit load data to the Local Balancing Authority for determination of elemental node allocations.
iii. Submit Resource Adequacy information and implement Emergency Operating Procedures, as necessary

3. **Statement and Billing Review Services**

a. MPPA, as Meter Data Management Agent (MDMA), will submit meter data to the RTO through market interface software using meter data as provided by the Participant.

b. MPPA will regularly review all statements and invoices for electric power service to the Participant from or through the RTO.

c. MPPA will provide information to the Participant on whether invoices are being disputed. MPPA will provide such information as necessary to comply with the Participant's financial review and payment procedures.

d. Detailed statement and billing review activities to be performed by MPPA will include the following:

i. Review of RTO statements from:
(1) Seven business days previous
(2) 14 calendar days previous
(3) 55 calendar days previous
(4) 105 calendar days previous
(5) Revision statements, as necessary

ii. Review of RTO invoices when received.
iii. Comparison of transaction records with any third parties where bilaterals were executed (checkout).
iv. Comparison of RTO statement results with the market interface software shadow settlement values.
v. Determination of the reasons for differences between MPPA transaction records for the Participant and RTO statements and invoices.

vi. Initiation of a protest or arbitration, as necessary. The Participant will be contacted before any arbitration activities are initiated.

vii. Sending a summary of billing or alert on results to Participant.

viii. After termination of the Agreement, the Participant shall still be responsible for all of its share of financial obligations associated with this Agreement during the time it was a Participant.

4. Participant Invoicing and Reporting

a. Provide invoices to Participants on a weekly basis based on the most recent invoices MPPA receives from the RTOs that will include charges for transmission purchases and bilateral transactions with third parties.

b. Provide invoices monthly for MPPA overhead costs.

c. Provide ad-hoc billing summaries monthly.

EXHIBIT 2

MPPA Energy Risk Management (ERM) Policy

1. Policy Purpose

The purpose of this document is to formalize the policies of Michigan Public Power Agency (MPPA) regarding managing energy risks on behalf of its members. Accordingly, this policy will set forth MPPA's:

- energy risk management objectives
- energy risk governance structure and responsibilities
- scope of business activities governed by this policy
- transaction authority delegations
- credit management practices and requirements

MPPA intends that its energy risk management program will support the advancement of its strategic plan, conform to its existing by-laws, governance policies and contracts, and will properly manage its business and financial risks through:

- prudent oversight
- adequate mitigation of risks consistent with each member's risk tolerance
- sufficient internal controls and procedures

Managing the energy risks of MPPA's business entails the coordination of resources and activities among multiple departments within MPPA.

2. Energy Risk Management Objectives

The MPPA exists to create opportunities for joint-action that enable Michigan's local public power utilities to successfully provide reliable, cost effective and environmentally responsible electric utility services. The mission of MPPA is to help members realize the benefits of joint action in the planning, development, acquisition and management of electric services that meet their needs.

Managing energy risk on behalf of the membership is consistent with the purpose and mission of MPPA, is required by MPPA Board Policy DM 1-12, and also serves the following objectives:

- assist members with maintaining risk within their desired tolerances for a defined period into the future
- mitigate price volatility to the members consistent with their direction
- enhance the value of the members' assets/resources
- participate in commodity markets and derivative instruments for hedging, and not for speculative purposes, on behalf of their members
- set forth credit risk management practices

- define the authority granted by the MPPA Board and its members to the MPPA General Manager (GM) to execute and delegate authority to execute energy related transactions
- promote a risk management culture and set appropriate risk mitigation measures
- ensure all members have a voice in the decision making process as the Agency considers market transactions to be entered into by MPPA on behalf of projects, groups of members, or individual members
- provide for adequate MPPA Board oversight of energy transactions

It is not the objective of this policy to limit transactions for power supply, transmission, and/or related services that may be negotiated or entered into by members independent of MPPA as may be allowed under MPPA's various contracts and project agreements.

3. Scope of Business Activities Governed by this Policy

The scope of this policy is designed to address the management of energy risk associated with MPPA and transactions made by MPPA on behalf of its members, including but not limited to:

- commercial operational risk
- commodity price risk
- volumetric risk
- operations risk
- power delivery and congestion risk
- counterparty contract and credit risk

Definitions of these risks along with a more complete list of the risks that MPPA assists it members in managing are included in Appendix A.

4. Risk Governance Structure and Responsibilities

Risk governance will follow a member driven approach whereby the Member's Governing Body identifies and communicates their risk management objectives to MPPA through a process outlined herein and in conjunction with the MPPA Hedge Policy. The MPPA Board shall be responsible for oversight of the Energy Risk Management program consistent with this Policy, while multiple MPPA Board committees and the Member Governing Bodies, through their Member Authorized Representative, are responsible for oversight and implementation of the Hedge Policy.

Supporting controls, policies and procedures will be implemented and aligned throughout the risk governance structure with distinct roles and responsibilities that result in a comprehensive risk control environment. Governance and controls include the organizational structure, policies, reporting process and procedures, establishment of risk tolerances and power supply objectives, and appropriate segregation of responsibilities.

The governance structure includes the following elements:

a. **<u>Member Governing Bodies</u> (Utility Board or Commission and/or City Council) – Responsibilities and Duties:**

- possess a basic understanding of MPPA's energy risk management procedures and practices as they relate to MPPA entering into market transactions on their behalf
- designate the electric utility's **Member Authorized Representative** (i.e. MPPA Commissioner or Alternate, Utility CEO, General Manager, Director, or City Manager as determined appropriate).
- determine authority limits of the Member Authorized Representative to approve risk management transactions or the delegation of such authority to MPPA
- affirm the energy hedging strategies and services provided by MPPA as outlined in the MPPA Hedge Policy through oversight of its Member Authorized Representative and his or her participation on the appropriate Hedge Committee

b. **<u>MPPA Board</u> – Responsibilities and Duties**

- possess a basic understanding of energy risk management in general and MPPA's program, policies, and procedures in particular
- approve MPPA risk management objectives
- approve General Manager and staff authority limits to conduct risk management transactions
- periodically review, make recommended changes to, and approve the Energy Risk Management Policy that establishes an overall framework for evaluation, management, and control of risk by the Agency
- approve Agency participation in specific commodity markets and the use of any derivative instruments
- receive reports by the independent risk management function of MPPA on MPPA's compliance with the ERM Policy

c. **<u>Energy Hedge Plan Committees</u> – Responsibilities and Duties**

The Hedge Policy allows for each member to select an Energy Hedge Plan to address its energy requirements and risk management objectives in conjunction with other members with similar risk management tolerances, goals, and objectives. If members do not elect to join an established Hedge Plan, they will be placed in a self-directed status where MPPA only acts to hedge member risk under that member's individual direction.

Hedge Plan Committees (HPCs) will be formed to oversee the hedging activities for each Energy Hedge Plan (with the exception of the self-directed plan).

Each HPC shall be comprised of the Authorized Representatives from members who have selected the applicable Hedge Plan along with the following ex-officio members from MPPA Staff:

1. GM
2. Chief Financial Officer (CFO)
3. Bulk Power Manager

The HPCs will have the following duties and responsibilities:

- review and approve execution strategies for energy hedge plans
- establish scope and frequency for management reporting to the committee
- recommend new commodity products, locations, or markets for consideration by the MPPA Board and the Member Governing Bodies

d. **<u>Member Authorized Representatives</u> – Responsibilities and Duties**
- provide appropriate risk management information to their Governing Body
- gain appropriate approvals from their Governing Body to approve MPPA's ERM and Hedge Policies and the selection of the Hedge Plan to be utilized
- gain appropriate approvals from their Governing Body for execution strategies and transaction authority delegations as they relate to MPPA entering into market transactions on their behalf
- approve participation in specific commodity markets and the use of any derivative instruments by MPPA on the member's behalf (if such transactions are allowed by MPPA's Board and each member's Governing Body as appropriate)
- receive reports by the independent risk management function of MPPA, as defined herein, on compliance with member's hedge policy selection

e. **<u>MPPA General Manager</u> – Responsibilities and Duties**
- assign staff to serve as members of the Internal Risk Management Committee
- possess authority to approve transactions within the limits identified in the Transaction Authority Matrix after receiving any necessary approvals specified therein
- determine proper organization, separation, or consolidation of functional activities
- assure prudent administrative procedures are established for execution of commodity and derivative transactions, contract controls, credit controls, transaction controls, risk monitoring and measurement requirements, settlement controls, and other energy risk management activities
- ensure that the identification and quantification of risks and related risk mitigation strategies are integrated into the strategic planning process.

f. **<u>Internal Risk Management Committee</u> – Responsibilities and Duties**

Membership shall be comprised of the following four voting committee members:

1. GM
2. CFO
3. Two member representatives as appointed by the Board
4. Bulk Power Manager (ex-officio member of IRMC)

The CFO shall serve as the IRMC Chairperson. The Chairperson shall be responsible for keeping, or causing to be kept, a record of the Committee's proceedings. Other non-voting participants shall participate in the meetings as determined by the voting committee members.

The IRMC establishes a forum for discussion of MPPA's significant risks and must develop guidelines required to implement an appropriate risk management control

infrastructure; this includes implementation and monitoring of compliance with MPPA's ERM and Hedge Policies.

The IRMC shall:

- review the energy risk management related policies and oversee enforcement by the Independent Risk Management Function
- ensure that risk management objectives, risk tolerance guidelines, and authority limits are employed throughout MPPA
- recommend to the GM the proper organizational structure, separation or consolidation of functional risk management activities
- periodically review MPPA's risk management program (a detailed review at least once a year) in light of recent changes in business practices, improved procedures, alternate MPPA's philosophy or strategy, or market modifications; and ensure continued compliance with its established guidelines
- formulate risk management strategy, policy or procedures necessary for new product or market implementation
- periodically direct an independent review (internal and/or external) of risk control policies and procedures
- hold formal IRMC meetings at least quarterly. Standing agenda items should include, but not be limited to, current commodity market strategies, power cost uncertainty, level of exposure to non-member transactions, generation production strategies and exposures, environmental strategies and exposures, control requirements/enhancements, counterparty contract and credit exposure, and policy and procedural violations
- discuss MPPA's major energy risk exposures and the steps management has taken or will take to mitigate, control, and monitor such exposures
- for market transactions executed by MPPA, perform an annual review of transaction compliance with policies and procedures
- review the infrastructure supporting risk management and ensure that it meets the requirements for risk oversight and compliance

g. **<u>Independent Risk Management Function</u> – Responsibilities and Duties**

This function shall be the responsibility of the Chief Financial Officer, who is organizationally independent of those whose activities initiate or directly participate in managing most of the energy risks of MPPA via the authority granted in the Hedge Policy and transaction authority section of this policy. Various departments may be required to assist in providing this function with reports or information required for risk assessment and analysis on a regular or periodic basis.

Responsibilities of the Independent Risk Management Function include:

- organize and chair the IRMC meetings
- engage the IRMC in discussions regarding events or developments that could expose MPPA to potential losses
- develop, recommend, and administer risk management processes and procedures; provide input to tools to assist in risk management
- provide for risk management education/training to Board, staff and management

- review risk management activities, risk controls, and recommend modifications of controls to meet changing business needs
- perform periodic internal reviews of risk control policies and procedures to ensure that MPPA complies with its risk policies
- report any violation of MPPA's risk policies to the Board and appropriate Committees
- review and recommend changes to the risk management policies and procedures, as appropriate
- report to MPPA Board on MPPA's compliance with its risk policies and risk management in accordance with the policies

5. Transaction Authority Requirements

The purpose of this section is to define the authority granted by the MPPA Board of Commissioners and local Governing Bodies (as directed by the Member Authorized Representative) to the General Manager to execute and delegate authority to execute energy related transactions. Furthermore, it sets forth clarity and empowerment among those with transaction authority and is designed to encourage communication among individuals with transaction authority and the MPPA Board of Commissioners. Changes to the Authority Matrix must be approved by MPPA's Board of Commissioners and each Member's Governing Body using the Matrix to delegate transaction authority as it may relate to MPPA entering into market transactions on the Member's behalf.

a. Objectives

The objectives of the MPPA Transaction Authority Requirements are to define:

- who has authority to execute transactions and any limits placed on such authority
- the commodities and products that can be transacted
- counterparty contract and credit requirements
- the process for approving new commodities, products or locations
- MPPA's intentions regarding hedging and speculating
- other relevant factors associated with due diligence in authorizing transactions to be executed

b. Procedural Requirements

The following defines procedural requirements that apply to all commodities and products transacted under this Transaction Authority Requirements document.

Execution Authority

Execution Authority is outlined by commodity though the Transaction Authority Matrix. Appendix B illustrates the initial Transaction Authority Matrix at the writing of this policy and serves as a sample for future transaction authority matrices that may be developed.

The Authority Matrix identifies Board authorized transactions for the GM and explicitly provides for delegation of the GM's authority to MPPA staff. The GM can modify this delegated authority at his sole discretion as long as the delegated

authority does not exceed his own authority per this policy. Delegated authority by the GM will be provided in writing and approved by the Internal Risk Management Committee.

Contract Requirements

Transactions with counterparties shall only be permitted if MPPA has:

- an active, valid, and executed agreement enabling such transaction activity with that counterparty such as a "standard" EEI or ISDA as may be amended and approved as appropriate
- a long-form confirmation (used in-lieu-of a permanent agreement, when necessary, only if approved by the CFO)

Credit Sleeving

No sleeving transactions for credit purposes shall be executed. (Note: Sleeving is an arrangement where a more financially reputable entity acts as middleman for a smaller, undercapitalized entity in the purchase or sale of energy.)

Record of Transactions

All transactions must be executed via a recorded communication method. Examples include a voice recorded communication line, instant messaging or an on-line broker account. Recorded communications must be maintained and controlled by MPPA's Information Technology Manager. Transacting on cellular phones or off premises telephones is prohibited.

Deal Capture

All transactions executed by an MPPA employee must be promptly captured in a trade capture system after deal execution.

Speculation

No speculative transaction activities shall be permitted, and no speculative transaction positions shall be initiated. Transacting will be permitted only for purposes of hedging and portfolio optimization.

Non-Standard Products Requiring Board Approval

The MPPA Board must approve any transaction that involves commodities or products that are not covered by an approved Authority Matrix

The purpose of defining a process for such transactions as noted above is to ensure that the exposures associated with them are thoroughly reviewed and understood by the Board and appropriate transaction controls are in place. The Board must approve the use of such transactions prior to execution using the process defined below:

- Transaction Proposal - The proposal is the responsibility of the person or business group proposing the transaction. The proposal should address the business need, risks, transaction controls, valuation methodology, accounting methodology, operations workflow/methodology, and assessment of legal and regulatory issues.
- Internal Risk Management Committee Review - The Committee will perform a review on behalf of, and make a recommendation to, the Board on the benefits

and risks of the proposed transaction. The Board will assess the proposed transaction and make a determination whether to add the proposed transaction to the approved list.

- Pilot Program or "One-off" Transaction – The Board may approve limited use of a proposed transaction under a pilot program or trial basis to insure that proper controls are in place to monitor the activity before broader use is allowed. The Board may also approve a proposed transaction (without instituting a Pilot Program or further use) if the proposed transaction is going to be used only once (one-off).

6. Credit Management Requirements

Wholesale counterparties must submit a copy of their company's most recent Creditworthiness Assessment from the Midwest Independent Transmission System Operator, Inc. (MISO) that is compiled in accordance with MISO's Credit Policy (Attachment L of the Energy Markets Tariff). The credit limit established as a result of the review performed by MISO will be used to establish the credit limit for bilateral transactions with each counterparty.

Counterparties will have continuous evaluation as they may, from time-to-time, appear in financial/trade publications that will be reviewed by MPPA. Items of risk significance relating to counterparties will be noted and cause reassessment. Such items will include, but are not limited to, downgrade events or business practices that are not conforming to appropriate ethics. In such event, or any other event occurs that triggers a review by MISO of the counterparty's creditworthiness, the new letter from MISO will promptly be requested and obtained from the counterparty before new transactions with that counterparty will be allowed.

If the proposed counterparty fails to meet the evaluated criteria, but there is a sufficient reason to justify transacting with the counterparty, then the counterparty will be required to make a prepayment for any purchases the counterparty makes from MPPA. Based upon the results of the analysis for the counterparty, an unsecured transaction limit and a list of any special conditions will be prepared for the counterparty.

7. Counterparty Concentration Risk Mitigation

- MPPA shall always maintain relations and agreements with at least three (3) counterparties that are actively trading in MISO.
- No more than fifty (50%) of MPPA's annual bilateral energy and capacity purchases (excluding MPPA owned or jointly-owned assets) shall be acquired from a single counterparty. A HPC, or a member within a self-directed plan, may also develop further concentration risk mitigation strategies.

8. Written Agreements Covering Transactions

MPPA shall not enter into a Power Purchase Commitment or "PPC," on behalf of a participating member, unless: (i) the PPC is covered by the Energy Services Agreement with

the participating member, the form of which has been approved by both the MPPA Board and the participating member's governing body and executed by MPPA and the participating member, and the participating member has delivered an opinion of local counsel, to the effect that the Energy Services Agreement has been approved by the participating member's governing body and is a valid and binding agreement of the participating member, enforceable against it in accordance with its terms; or (ii) the PPC is covered by a written agreement with the participating member, the form of which has been approved by the MPPA Board and the participating member's governing body and executed by MPPA and the participating member, and the participating member has delivered an opinion of local counsel, to the effect that the written agreement has been approved by the participating member's governing body and is a valid and binding agreement of the participating member, enforceable against it in accordance with its terms.

9. **Working Capital Requirements**

The MPPA Board shall require, within its transaction approval process, transaction participants to maintain an adequate level of working capital on account with MPPA during the duration of a transaction that has been executed by MPPA on a member's behalf.

10. **Financial and Physical Firmness of Energy**

Each HPC will determine a minimum percentage level of its Plan's energy requirements that will be delivered physically and/or financially firm consistent with this Policy's Transaction Authority.

11. **Transaction Duration and Maturity Diversity**

Each HPC will develop transaction criteria to ensure duration and maturity diversity.

12. **Policy Effective**

This Energy Risk Management Policy is in effect upon the Board's approval and shall remain in effect until a replacement policy has been approved by the Board superseding this Energy Risk Management Policy. This policy supersedes the prior version of Exhibit 2 of the Energy Services Agreement between MPPA and Energy Services Project Participants (entitled Energy Services Risk Management Policy) upon ratification and approval of associated changes and amendments to the Energy Services Agreement

13. **Responsibility**

It shall be the responsibility of the Board of Directors, through its supervision and oversight of MPPA's GM, to ensure compliance with this policy.

Approved:_____ Attest:_____
Chair Secretary

Effective: _____

Appendix A

Definition of Risks

Commercial operational risk is the risk of loss from inadequate or failed internal processes, people, and systems.

Commodity market price risk is the risk of loss due to potential fluctuations in the prices of an underlying energy commodity. In the wholesale power market, MPPA has risk that commodity prices rise, spike or are generally high when it is short of meeting its firm supply obligations. MPPA has risk that prices fall or are generally low when it has excess capacity or electric energy compared to its firm supply obligations.

Due to heavy reliance on coal generation units, MPPA has a natural short position in the coal that it needs to supply fuel to its generating resources.

Commodity market price risk occurs across all tenures, from the hourly market to the long-term forward market (5 years +). MPPA is exposed to commodity price risk for power, coal, natural gas, emission allowance (SO2 and NOX), fuel oil and various bulk materials (e.g. ammonium, limestone) that exhibit price volatility.

Contract risk or Counterparty performance risk is the risk of a potential adverse occurrence of a counterparty's ability to operationally perform on an agreement or due to contractual provisions that leave MPPA with no recourse under an event of default.

Concentration risk is the risk of having large exposures to significant power supply components. Concentration risk can be found with suppliers (contract and credit risk), generation units (outage risk), unit technology (environmental), native load customers (smelters).

Credit risk is the risk of a potential adverse occurrence of a counterparty's ability to pay its obligations (debts) to MPPA or the supplier declares bankruptcy and abrogates a supply contract that must be replaced during a time of higher commodity market prices.

Delivery risk is the risk that MPPA cannot meet a firm supply obligation due to a transmission constraint. Delivery risk is natural to MPPA in meeting its firm supply obligations and reliability of service. MPPA can also be exposed to delivery risk in the transportation of its fuel supply.

Cash margin risk is the risk associated with inadequate cash flow resulting from margin requirements of a contractual agreement. For example, the EEI Master Agreement provides that counterparties may margin each other when they are overexposed above credit thresholds that were negotiated between the parties when the agreement was executed. Credit exposures include replacement cost exposure on a mark-to-market basis when a counterparty's position is out-of-the money.

Operations risk is the risk associated with physical assets. This would include failures or outages associated with generation units, fuel delivery systems (weather or mechanical),

generation step-up transformers, the transmission system, control systems, or other critical components associated with the production or delivery of electricity.

Volumetric risk is the risk that energy commodity volumes will vary from expected and result in a potential loss due to changing commodity market prices. The primary volumetric risks that MPPA is exposed to are *load forecast/ weather variability risk, forced outage/ de-rate risk, loss of load (smelter load concentration),* and *transmission delivery risk, and transmission congestion risk.*

Load forecast/weather variability risk is the risk that actual loads differ from forecasted loads due to the error in weather forecasts and load forecasts. This risk is natural to MPPA's portfolio since it serves load serving entities. Since this risk will result in MPPA being unintentionally long or short in the spot market, it naturally results in hourly market price risk.

Forced outage and de-rate risk is the risk that a generating unit does not perform when it is expected to be available, or when it performs below expected capability. This risk is natural to MPPA's portfolio since it owns and operates generation units to meet its load requirements. Since this risk will result in MPPA being unintentionally short in the market, it also naturally results in market price risk.

Loss of load risk is the risk that MPPA loses a significant portion of one of its members' load, for example an aluminum smelter, and that the market price for electricity coincidentally falls below the sales price of the lost load and thereby creates a financial strain on MPPA. However, if market prices for electricity remain above the sales price of a potential lost load it would create a financial benefit to MPPA.

Congestion risk is the risk of negative price differentials between the location of power supplies and the demand location. If MPPA needs to buy electricity and the transmission system is congested, it would pay a premium to secure the needed electricity, if it is available at all. If MPPA has excess electricity to sell and the transmission system is congested. then it may not be able to sell the excess or may have to sell at a discounted price to a non-congested area. Congestion risk typically manifests itself in power commodity market price risk.

Appendix B

Bilateral Electric Power and Transmission Transaction Authority Matrix

The following outlines transaction limits, definitions, and procedural requirements for power and power transmission transactions including capacity.

Title	Product	Term	Required Transaction Approvals
MPPA GM or his delegated representative	Electric Power, Trans., and Capacity	> 1 Year	Any transaction with a term greater than one year must be approved by the Member Authorized Representative and the MPPA Board of Directors who may identify price and/or volume restrictions
		> 1 Month ≤ 1 Year	Any transaction with a term greater than one month but less than or equal to one year must be approved by the Member Authorized Representative who may identify price and/or volume restrictions
		≤ 1 Month	None, unless the appropriate Member Authorized Representative identifies in writing certain price and/or volume restrictions

Bilateral Electric Power and Transmission Transaction Trading Authority Matrix Explanations

- Authorized products include electric power and transmission as well as bilateral ancillary services and capacity. MISO Module E Capacity as well as capacity transacted via the MISO and PJM capacity auctions are specifically authorized hereunder.
- MISO and/or PJM authorized products are Generation and Demand Awards, Import/Export Transactions, Ancillary Service Awards, and Financial Transmission Rights. All such products must follow all applicable MISO requirements.
- The transaction approval requirements apply to both purchases and sales

Delivery Locations

Transacting at delivery locations outside the eastern interconnection is not permitted. Transacting at delivery locations that are normal to the daily course of business for MPPA, to the extent transmission is available, is authorized as follows:

Unrestricted Delivery Locations

- MISO – Michigan Hub

- MISO – Member Load Commercial Pricing (CP) node or any other CP Node within Michigan
- MISO – Cinergy Hub/Indiana Hub
- MISO – Minnesota Hub (for Marquette)

Transacting at any other delivery locations within the eastern interconnection must be approved consistent with the Authority Matrix above.

Firmness of Power

The product firmness of all transactions must be provided for in an executed agreement between MPPA and the appropriate counterparty. Sales commitments must never be more firm than the supply source.

Transmission Firmness and Volume

Transmission purchases need to be of equal firmness and volume to the energy component that such transmission purchase is associated with, unless approved otherwise consistent with the Authority Matrix above.

Responsibility

It shall be the responsibility of the Board of Commissioners and the MPPA General Manager to ensure compliance with this Authority Matrix.

Approved:_____ Attest:_____

Chair Secretary

Effective: _____

EXHIBIT 3

Meter Data Specifications

MPPA requires certain electrical parameters to be provided by the Participant.

1. General Provisions

The Participant is responsible for providing billing quality data for all interconnection points to MPPA's Meter Data Acquisition (MDA) system. The method of data collection at the remote meter point and the method of data transmission to MPPA's MDA in accordance with MPPA's data reception requirements shall be the responsibility of the Participant.

2. Communications Protocol

MPPA will support the DNP3 communications protocol as its standard protocol. If the Participant requires a different non-standard protocol, then the Participant shall be responsible for all costs to support that protocol including but not limited to the installation, configuration, and maintenance related to any non-standard protocol. In addition, MPPA will support Inter-Control Center Protocol (ICCP) communication.

3. Reception of Data by MPPA

MPPA will have the capability to receive data from a variety of transmission mediums as its standard medium as long as it can support a secured Virtual Private Network (VPN) tunnel. Transmission mediums that can be successfully interfaced with the MPPA MDA are satellite, cable, DSL, radio, and fiber optics. If the Participant requires a different non-standard transmission medium, then the Participant shall be responsible for all costs to support it including but not limited to the installation, configuration, and maintenance related to any non-standard transmission medium.

4. Minimum Required Data

The following data is required by MPPA:

(a) Delivery Points (Tie Points)

1. Integrated hourly data (in/out) for megawatts (MW) and megavars (MVARS)
2. Status of each circuit breaker

(b) Generation

Integrated hourly data for megawatts (MW) delivered and megavars (MVARS) in and out.

5. **Periodicity of Data**

(a) Accumulator data (MWHR. MVHR) - All accumulator data should be polled and received by MPPA hourly.

(b) Analog data - All analog point data should be polled and available to MPPA using no longer than a 10 second scan interval.

(c) Status Point data - All status point data should be polled and available to MPPA using no longer than a 10 second scan interval.

ENERGY SERVICES AGREEMENT

This Energy Services Agreement ("Agreement") is made and entered into as of Aug 21st, 20 12 by and between MICHIGAN PUBLIC POWER AGENCY ("MPPA"), a body corporate and politic of the State of Michigan, created pursuant to 1976 PA 448 and Wyandotte Municipal Services (the "Participant").

WHEREAS, MPPA was organized under Act 448 to provide a means for those Michigan municipalities which are members of MPPA to secure electric power and energy for their present and future needs; and

WHEREAS, the Midwest Independent Transmission System Operator, Inc. ("MISO") has implemented its Midwest Market Initiative ("MMI") that has increased the complexity, effort and required expertise for dealing in the wholesale electric power market; and

WHEREAS, on March 11, 2009, the MPPA Board of Commissioners by action in open meeting created the Energy Services Project ("Project") ; and

WHEREAS, MPPA has, or is acquiring, the personnel, systems and facilities necessary to provide the needed energy services for the Participant:

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, it is agreed by and between the parties hereto as follows:

Section 1. Term of Contract.

This Agreement shall become effective as of the date upon which it is fully executed by the parties hereto and shall have an initial term until December 31, 2015. This Agreement shall automatically extend each year thereafter for a one year period ending on the next succeeding December 31 unless terminated by the Participant or MPPA prior to any such automatic extension, pursuant to Sections 9, 12, or 16.

Section 2. Energy Services.

(a) MPPA shall perform the Energy Services for the Participant as described in Exhibit 1. Additional Energy Services may be provided by MPPA hereunder as mutually agreed to by MPPA and the Participant consistent with MPPA's approved Energy Risk Management (ERM) Policy, attached as Exhibit 2, as may be amended from time to time by MPPA's Board of Commissioners. Such additional Energy Services may include negotiating arrangements for the sale or purchase of power or capacity from or to third parties on behalf of the Participant, if and to the extent requested and approved by the Participant in accordance with MPPA's established ERM Policy. For purposes of this Agreement, any purchase or sale commitments, transactions, and agreements with third parties for power, transmission, capacity,

back-up power, or any other related market activities made on behalf of the Participant and provided hereunder as an Energy Service by MPPA, are collectively referred to as a Power Purchase Commitment or "PPC." If Energy Services include such transactions and commitments for purchases or sales on behalf of the Participant, any obligation or responsibility of MPPA to provide power as an Energy Service shall be limited solely to the power actually delivered to MPPA by the third party or the Participant. MPPA shall not be liable or obligated for direct or indirect damages, charges or expenses incurred or suffered by the Participant in the event the third party or Participant is unable for any reason to comply with such PPC. MPPA will, however, use its best efforts to (i) resolve any situation or circumstance where the third party or Participant is not complying with the PPC it agreed to, and (ii) arrange for alternative sources of power as may be necessary, if requested by the Participant.

Additionally, Participant may independently negotiate bilateral transactions with third parties for power supply, transmission, and related services outside of this Agreement. For such transactions, MPPA may, upon mutual agreement of MPPA and the Participant, perform scheduling, settlement, and billing services in accordance with Exhibit 1 to facilitate these Participant-negotiated transactions.

(b) Within thirty (30) days of the execution date of this Agreement, the Participant shall designate in writing to MPPA a "Member Authorized Representative" or MAR to act on its behalf in matters concerned with this Agreement and MPPA's ERM Policy. The MAR shall have the responsibilities and obligations defined in MPPA's ERM Policy attached as Exhibit 2, as it may be amended from time to time by MPPA's Board of Commissioners.

(c) All transactions under this Agreement must comply with Exhibit 2, as it may be amended from time to time by MPPA's Board of Commissioners.

(d) This Agreement shall be administered by an Energy Services Project Committee, composed of one member from each participant who executes a substantially similar version of this Agreement with MPPA, including the Participant.

Section 3. <u>Cooperation and Exchange of Information</u>.

MPPA and the Participant recognize that successful execution of the desired Energy Services will require cooperation and frequent exchanges of information between MPPA, the Participant, and the appropriate Regional Transmission Organization (RTO). MPPA and the Participant each agree to make all reasonable efforts to provide needed information to the other party and to the appropriate RTO in a timely manner. Further, MPPA and the Participant each agree to make all reasonable efforts to assist the other party in obtaining any data necessary for the execution of the desired Energy Services from any third party. The Participant agrees to provide billing quality meter data in a format consistent with the services provided by MPPA. The Participant will enter into an agreement with MPPA for acquisition, transmission, and management of billing quality data. As the Participant may have separate arrangements for data with MPPA, minimum specifications for billing quality meter data are detailed in the attached Exhibit 3, and may change as applicable industry standards are modified.

Section 4. Billing and Method of Payment.

(a) MPPA shall provide the Participant weekly invoices for any applicable PPC, identified Energy Services, and RTO-related charges and expenses incurred by MPPA as a result of the services provided to the Participant and monthly invoices for any remaining administrative, overhead, and associated expenses relating to other Energy Services provided to the Participant under this Agreement. Such invoices shall comply with the procedures and protocol set forth in Section 3 of Exhibit 1 hereto.

(b) Weekly payments required to be paid by the Participant to MPPA pursuant to this Section 4 based on pass-through charges received for Market-related activities shall be paid, via wire transfer, within five days of receipt of invoice. Payments received by MPPA based on pass-through revenues allocated to the Participant shall be paid to the Participant, via wire transfer, within five days of receipt. Participant may, at its discretion, provide to MPPA twice the working capital required in Section 5 to allow for monthly payment of charges in lieu of weekly payments.

(c) Monthly payments required to be paid to MPPA for related administrative expenses pursuant to this Section 4 shall be due and payable to MPPA at the principal office of MPPA, or such other address as MPPA shall designate in writing to the Participant, on the 25th day of the Month for the preceding month's expenses, or within ten business days after Participant's receipt of the invoice, whichever is later.

(d) If payment in full is not made on or before the close of business on the due date, a delayed-payment charge on the unpaid amount due for each day overdue will be imposed at a rate equal to twelve percent (12%) per annum plus $500 per occurrence. If the due date is Saturday, Sunday, or a bank holiday, the next following business day shall be the last day on which payment may be made without the addition of the delay-payment charge.

(e) In the event of any dispute as to any portion of any statement, the Participant shall nevertheless pay the full amount of the disputed charges when due and shall give written notice of the dispute to MPPA not later than the date such payment is due, if the Participant is already aware of the dispute, or within thirty (30) days of discovering the grounds for the disputed charges, but only if the Participant could not have reasonably been expected to have discovered the grounds for dispute by the original due date. Such notice shall identify the disputed bill, state the amount in dispute and set forth a full statement of the grounds upon which such a dispute is based. No adjustment shall be considered or made for disputed charges unless notice is given as required above. MPPA shall give consideration to such dispute and shall advise the Participant in writing of its position within thirty (30) days following receipt of such written notice. Upon final determination (whether by agreement, arbitration, adjudication or otherwise) of the correct amount, any difference between such corrected amount and the billed amount shall be subtracted from the next statement submitted to the Participant after such determination or, if this Agreement has terminated, shall be paid to Participant within thirty (30) days of such determination. The Participant shall continue to be responsible for its share of financial obligations associated with this Agreement even after the termination of this Agreement.

Section 5. Working Capital.

(a) The minimum working capital level for services provided under this Agreement shall be equal to the approximate maximum one month's expenses for the Participant under this Agreement over the most recent calendar year. Working capital balances for each Participant in the Project shall be transferred to a working capital fund. Such amounts may be commingled with the working capital contributions of other participants and MPPA may invest such moneys in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration. Such amounts may be used for working capital purposes, including making advances or payments in accordance with this Agreement. MPPA shall allocate in its records an appropriate amount of working capital to each Participant based on its contributions.

(b) In the event of a default by a Participant, MPPA may apply the Participant's working capital balance up to the extent of its current financial obligations under this Agreement to satisfy such obligations.

(c) Upon termination of this Agreement, the Participant shall receive full reimbursement of its working capital balance less any outstanding financial obligations incurred under this Agreement.

Section 6. Accounting.

MPPA agrees to keep accurate records and accounts relating to the Project in accordance with the Uniform System of Accounts, separate and distinct from its other records and accounts. The accounts shall be audited annually by a firm of certified public accountants, experienced in electric utility accounting and of national reputation, to be employed by MPPA. A copy of each annual audit, including all written comments and recommendations of such accountants, shall be furnished by MPPA to the Participant not later than 180 days after the end of each calendar year.

The Participant agrees to keep accurate records and accounts relating to the conduct of its business. The accounts shall be audited annually by a firm of certified public accountants to be employed by the Participant. A copy of each annual audit, including all written comments and recommendations of such accountants, shall be furnished by the Participant to MPPA within 180 days after the end of its fiscal year or at the time the Participant's fiscal year audit is completed.

Section 7. Participant Covenants.

The Participant agrees to collect rates, rents, fees and charges for electric power and energy and other services, facilities and commodities sold, furnished, or supplied through its electric system sufficient to provide revenues adequate to meet its obligations under this Agreement.

Section 8. Default of Participant.

Failure of the Participant to make to MPPA any of the payments when due for which provision is made in this Agreement shall constitute an immediate default on the part of the Participant.

Section 9. Continuing Obligation, Right to Discontinue Service.

In the event of any default referenced in Section 8 hereof, the Participant shall not be relieved of its liability for payment of the amounts in default and MPPA shall have the right to recover from the Participant any amount in default. In enforcement of any such right of recovery, MPPA may bring any suit, action, or proceeding in law or in equity, including mandamus and action for specific performance, as may be necessary or appropriate to enforce any covenant, agreement or obligation to make any payment for which provision is made in this Agreement against the Participant, and if the default is not cured within five business days following a written declaration of default by MPPA to the Participant, MPPA may, upon sixty (60) days' written notice to the Participant, terminate this Agreement and cease and discontinue providing all or any portion of the Energy Services shown on the attached Exhibit 1.

Section 10. Transfer of Purchase Power Commitments Following Default.

In the event of a default by any Participant and discontinuance of service pursuant to Section 9 of this Agreement,

(a) MPPA shall first offer to transfer to all other participants who have committed to the same PPC transaction (each a "Transaction Participant" and collectively, the "Transaction Participants")and are not in default a pro rata portion of the defaulting Participant's PPC that has been discontinued by reason of such default. Any part of such PPC of a defaulting Participant that is declined by any nondefaulting Transaction Participant shall be reoffered pro rata to the nondefaulting Participants which have accepted in full the first such offer. Such reoffering shall be repeated until such defaulting Participant's PPC has been reallocated in full or until all nondefaulting Transaction Participants have declined to take any additional portion of such defaulting Participant's PPC.

(b) In the event less than all of a defaulting Participant's PPC shall be accepted by the other Transaction Participants which are not in default pursuant to clause (a), MPPA shall use its reasonable best efforts to sell the remaining portion of the defaulting Participant's PPC for the remaining term of such defaulting Participant's PPC obligation; the agreement for such sale shall contain such terms and conditions as will not adversely affect the agreement of such defaulting Participant, including provisions for discontinuance of service upon default, and as are otherwise acceptable to MPPA; in the event of default and discontinuance of service under such agreement, the PPC sold pursuant to such agreement shall be offered and transferred as provided for defaulting Participants in this Section.

(c) In the event less than all of a defaulting Participant's PPC shall be accepted by the Transaction Participants which are not in default pursuant to clause (a) or sold pursuant to clause (b) of this Section, MPPA shall transfer the remaining portion of such defaulting Participant's PPC to all other Transaction Participants which are not in default in proportion to their respective total shares of the PPC transaction.

(d) Any portion of the PPC of a defaulting Participant transferred pursuant to this Section to a nondefaulting Transaction Participant shall become a part of and shall be added to the PPC of each transferee Transaction Participant, and the transferee Transaction Participant shall be obligated to pay for its PPC increased as aforesaid, and shall be entitled to the benefits associated with the increased PPC, as if the PPC of the transferee Transaction Participant, increased as aforesaid, had been stated originally as the PPC of the transferee Participant in its Energy Services Agreement with MPPA.

(e) In the event less than all of a defaulting Participant's PPC is sold or transferred to nondefaulting Transaction Participants pursuant to this Section, MPPA shall use its reasonable best efforts to sell the remaining portion of a defaulting Participant's PPC or the energy associated therewith on such terms and conditions as are acceptable to MPPA, including, but not limited to, the possible sale at locational marginal pricing. The defaulting Participant shall remain liable for its PPC and other obligations and expenses under this Agreement, except that the obligation of the defaulting Participant to pay MPPA shall be reduced to the extent that payments are received by MPPA for that portion of the defaulting Participant's PPC which may be transferred or sold as provided in this Section.

Section 11. <u>Other Default by Participant</u>.

In the event of a failure of the Participant to fix, charge or collect rates or charges adequate to provide revenue sufficient to enable the Participant to pay all amounts due to MPPA under this Agreement or in the event of any default by the Participant under any other covenant, agreement or obligation of this Agreement, MPPA may bring any suit, action, or proceeding in law or in equity, including mandamus, injunction and action for specific performance, as may be necessary or appropriate to enforce any covenant, agreement or obligation of this Agreement against the Participant.

Section 12. <u>Default by MPPA</u>.

In the event of any default by MPPA under any covenant, agreement or obligation of this Agreement, the Participant's remedy for such default shall be limited to (1) mandamus, injunction, action for specific performance or any other available equitable remedy as may be necessary or appropriate, and/or (2) termination of this Agreement upon at least sixty (60) days' written notice to MPPA; provided, however, for purposes of this Section 12, the date of termination shall be the date which is the latest of (i) 60 days after the date written notification of termination is given, (ii) the expiration or satisfaction of the Participant's obligations with respect to its PPC, and (iii) the date of receipt by MPPA of full payment by or for the Participant for any Energy Services provided under this Agreement, including, but not limited to, any obligations

and expenses owing to MPPA related to the Participant's PPC for which MPPA is not entitled to receive payment from others.

Section 13. Abandonment of Remedy.

In case any proceeding or action taken on account of any default shall have been discontinued or abandoned for any reason, the parties shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of MPPA and the Participant shall continue as though no such proceedings had been taken.

Section 14. Waiver of Default.

Any waiver at any time by either MPPA or the Participant of its rights with respect to any default of the other party hereto, or with respect to any other matter arising in connection with this Agreement, shall not be a waiver with respect to any subsequent default, right or matter.

Section 15. Liability of Parties.

MPPA and the Participant each recognize that the Project constitutes a separate project of MPPA. In accordance with Section 12 hereof, the Participant shall assert no monetary claims or money damage claims against MPPA for any default or breach of this agreement, and the Participant is limited to equitable relief as provided therein. In addition, the parties agree that under no circumstances shall the financial assets, funds and accounts and physical assets of any other MPPA project be available to satisfy any of MPPA's obligations to the Participant under this Agreement. The sole available recourse for the Participant or MPPA for any acts, errors or omissions by the other party, other than a "default" under Sections 8, 11 or 12 of this Agreement, shall be the withholding of currently owed amounts or suspension of the provision of Energy Services, followed by the termination of this Agreement.

Section 16. Termination or Amendment of Agreement.

This Agreement may be terminated by either party after the initial term (i.e., to become effective no earlier than December 31, 2015) for any reason upon the provision of at least 120 days' written notice to the other party of its desire to terminate the Agreement. The proposed termination date of the Agreement made pursuant to Section 16 shall be on a December 31; provided, however, for purposes of this Section 16, the actual date of termination shall be the date which is the latest of (i) the first December 31 following expiration of the notice period, (ii) the date of expiration or satisfaction of the Participant's obligations with respect to its PPC. The obligation shall be considered satisfied if, upon request of the Participant, the Participant has executed another agreement with MPPA, the form of which has been approved by the MPPA Board of Commissioners and the Participant's governing body, and otherwise meets the requirements of Section 8 of the MPPA Energy Risk Management Policy approved by the MPPA Board of Commissioners on July 13, 2011, and (iii) the date of receipt by MPPA of full payment by or for the Participant for any Energy Services provided under this Agreement, including, but

not limited to, any obligations and expenses owed to MPPA related to the Participant's PPC for which MPPA is not entitled to receive payment from others. This Agreement may also be terminated pursuant to Sections 9, or 12 of this Agreement.

The Participant and MPPA both recognize that charges, fees, expenses and settlements may survive the term of this Agreement. Notwithstanding anything in this Agreement to the contrary, in the event such charges, fees, expenses and settlements are incurred as the result of services provided under this Agreement, the Participant shall continue to remain liable and financially responsible for all costs associated with the charges, fees, expenses and settlements until they are recovered in full, and MPPA shall remain obligated to pay to the Participant any revenues it may receive on behalf of the Participant in connection with such settlements.

Except for changes to any Exhibits, including Attachments, included as part of this Agreement, made in accordance with Section 2, any amendments to this Agreement shall be approved by the governing board of each party hereto as executed by authorized signers before any such amendment shall be effective.

Section 17. Applicable Law; Construction.

This Agreement is made under and shall be governed by the law of the State of Michigan. Headings herein are for convenience only and shall not influence the construction hereof.

Section 18. Severability.

If any section, paragraph, clause or provision of this Agreement shall be finally adjudicated by a court of competent jurisdiction to be invalid, the remainder of this Agreement shall remain in full force and effect as though such section, paragraph, clause or provision or any part thereof so adjudicated to be invalid had not been included herein.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their proper officers respectively, being thereunto duly authorized, as of the day and year first above written.

MICHIGAN PUBLIC POWER AGENCY

By_____

Chairperson

Attest:

_____

Wyandotte Municipal Services
(Participant)

By_____

Its General Manager

Attest:

Paula Hellebrand

CITY OF WYANDOTTE
REQUEST FOR COUNCIL ACTION

MEETING DATE: October 1, 2012 **AGENDA ITEM #** 6

ITEM: Municipal Services – Designation of the WMS General Manager as the Member Authorized Representative under the MPPA Energy Services Project

PRESENTER: Melanie McCoy, General Manager

INDIVIDUALS IN ATTENDANCE: Jim French, Director of Power Supply

BACKGROUND: In order to purchase and supply electricity to our customers, WMS became a member of Michigan Public Power Agency (MPPA) in 2008 and a member of the Energy Services Project in 2012. As a member of the Energy Services Project, the Member Governing Bodies (WMS Commission and Wyandotte City Council) are required to designate the electric utility's Member Authorized Representative (MAR) to approve electric transactions or MPPA actions in our behalf. The power purchases will be in accordance with our Power Supply Portfolio Risk Management Plan. WMS Commission approved the Resolution 09-2012-01 to designate the Member Authorized Representative September 11, 2012.

STRATEGIC PLAN/GOALS: Fiscal Responsibility

ACTION PLAN: Concur with WMS Resolution 09-2012-01.

BUDGET IMPLICATIONS & ACCOUNT NUMBER: Supports Power Supply Business Plan and Rate Projections.

IMPLEMENTATION PLAN: Member Authorized Representative will complete Member Power Supply Portfolio Risk Management Election Form.

COMMISSION RECOMMENDATION: Resolution 09-2012-01 approved

CITY ADMINISTRATOR'S RECOMMENDATION: OK

LEGAL COUNSEL'S RECOMMENDATION: Notes attached and incorporated.

MAYOR'S RECOMMENDATION:

LIST OF ATTACHMENTS: Resolution 09-2012-01
WPPA Energy Risk Management Policy

MODEL RESOLUTION:

RESOLUTION

Wyandotte, Michigan
Date: October 1, 2012

RESOLUTION by Councilman_____

BE IT RESOLVED by the City Council that Council Concurs with the Wyandotte Municipal Service Commission in the following resolution.

A Resolution authorizing the designation of the WMS General Manager as the Member Authorized Representative under the MPPA Energy Services Project.

I move the adoption of the foregoing resolution.
MOTION by
Councilmen_____

Supported by Councilman_____

YEAS	COUNCIL	NAYS
	Browning	
	DeSana	
	Fricke	
	Galeski	
	Sabuda	
	Stec	

RESOLUTION 09-2012-01

Designation of the WMS General Manager as the Member Authorized Representative under the MPPA Energy Services Project

WHEREAS, Wyandotte Municipal Services (WMS), is a member of Michigan Public Power Agency (MPPA); and

WHEREAS, the Wyandotte Municipal Services Commission has passed resolution 08-2012-05 to join the MPPA Energy Services Project; and

WHERAS, the MPPA Energy Services Project requires the designation of a Member Authorized Representative (MAR); and

WHERAS, the Member Authorized Representative (MAR) requires certain authority to within the MPPA Energy Services Project; now therefore

BE IT RESOLVED by the Wyandotte Municipal Service Commission, a majority of its members thereto concurring, that the Wyandotte Municipal Services hereby designates the General Manager as the Member Authorized Representative with the authority required by the MPPA Energy Services Project.

ADOPTED this 11th day of September 2012.

ATTEST:

WYANDOTTE MUNICIPAL SERVICE COMMISSION

By: _____ President

By: _____ Secretary

Memorandum

To: Melanie McCoy
From: William R. Look
Date: August 21, 2012
CC:
Re: Energy Services Agreement
with MPPA

==========

Melanie:

The following are my comments regarding the above referenced document:

1. You need to pay special attention to the limitation of liability of MPPA in the event of default or nonperformance that is contained in sections 2, 12, and 15. The city would not be able to sue MPPA for losses, etc. even if there is nonperformance by MPPA.

2. Any resolution approving this agreement should designate the Member Authorized Representative (MAR) as referenced in section 2(b).

3. Special note should be made of the late fee penalties as contained in section 4(d) which is 12% per annum plus $500 per occurrence.

4. There are certain requirements expected of the city including providing a copy of an annual audit to MPPA each year and this should be entered into the tickler system.

5. Under section 10(c) and (d) in the event of a default by another participant, this may require the city to purchase additional PPC.

6. As referenced in section 16, also to be entered into the tickler would be the termination notice required if the city wishes to no longer be party to this agreement.

7. Regarding exhibit 2, a mechanism needs to be set up whereby the city identifies and communicates their risk management objectives to MPPA as set forth page 2, paragraph 4.

8. Likewise, a mechanism needs to identified under paragraph 4(a) setting forth the authority limits of the Member Authorized Representative (MAR) to approve risk management transactions.

9. Also a determination has to be made with regards to paragraph 4(c) regarding the type of hedge plan that the city wishes to engage in.

10. With regards to paragraph 4(d) a mechanism needs to be implemented to set forth the MAR obtaining appropriate approvals from the governing body to approve MPPA's ERM and hedge policies, and also for approval of participation in specific commodity markets and the use of any derivative instruments on this city's behalf. I believe all of these policies need to be set forth in a resolution so that it is clear what authority is being provided to either the MAR and/or the MPPA on behalf the city.

11. I am assuming this agreement will be submitted to the Municipal Service Commission and city council and I note that an opinion of local counsel is required under paragraph 8.

EXHIBIT 2

MPPA Energy Risk Management (ERM) Policy

1. **Policy Purpose**

The purpose of this document is to formalize the policies of Michigan Public Power Agency (MPPA) regarding managing energy risks on behalf of its members. Accordingly, this policy will set forth MPPA's:

- energy risk management objectives
- energy risk governance structure and responsibilities
- scope of business activities governed by this policy
- transaction authority delegations
- credit management practices and requirements

MPPA intends that its energy risk management program will support the advancement of its strategic plan, conform to its existing by-laws, governance policies and contracts, and will properly manage its business and financial risks through:

- prudent oversight
- adequate mitigation of risks consistent with each member's risk tolerance
- sufficient internal controls and procedures

Managing the energy risks of MPPA's business entails the coordination of resources and activities among multiple departments within MPPA.

2. **Energy Risk Management Objectives**

The MPPA exists to create opportunities for joint-action that enable Michigan's local public power utilities to successfully provide reliable, cost effective and environmentally responsible electric utility services. The mission of MPPA is to help members realize the benefits of joint action in the planning, development, acquisition and management of electric services that meet their needs.

Managing energy risk on behalf of the membership is consistent with the purpose and mission of MPPA, is required by MPPA Board Policy DM 1-12, and also serves the following objectives:

- assist members with maintaining risk within their desired tolerances for a defined period into the future
- mitigate price volatility to the members consistent with their direction
- enhance the value of the members' assets/resources
- participate in commodity markets and derivative instruments for hedging, and not for speculative purposes, on behalf of their members
- set forth credit risk management practices

- define the authority granted by the MPPA Board and its members to the MPPA General Manager (GM) to execute and delegate authority to execute energy related transactions
- promote a risk management culture and set appropriate risk mitigation measures
- ensure all members have a voice in the decision making process as the Agency considers market transactions to be entered into by MPPA on behalf of projects, groups of members, or individual members
- provide for adequate MPPA Board oversight of energy transactions

It is not the objective of this policy to limit transactions for power supply, transmission, and/or related services that may be negotiated or entered into by members independent of MPPA as may be allowed under MPPA's various contracts and project agreements.

3. Scope of Business Activities Governed by this Policy

The scope of this policy is designed to address the management of energy risk associated with MPPA and transactions made by MPPA on behalf of its members, including but not limited to:

- commercial operational risk
- commodity price risk
- volumetric risk
- operations risk
- power delivery and congestion risk
- counterparty contract and credit risk

Definitions of these risks along with a more complete list of the risks that MPPA assists it members in managing are included in Appendix A.

4. Risk Governance Structure and Responsibilities

Risk governance will follow a member driven approach whereby the Member's Governing Body identifies and communicates their risk management objectives to MPPA through a process outlined herein and in conjunction with the MPPA Hedge Policy. The MPPA Board shall be responsible for oversight of the Energy Risk Management program consistent with this Policy, while multiple MPPA Board committees and the Member Governing Bodies, through their Member Authorized Representative, are responsible for oversight and implementation of the Hedge Policy.

Supporting controls, policies and procedures will be implemented and aligned throughout the risk governance structure with distinct roles and responsibilities that result in a comprehensive risk control environment. Governance and controls include the organizational structure, policies, reporting process and procedures, establishment of risk tolerances and power supply objectives, and appropriate segregation of responsibilities.

The governance structure includes the following elements:

a. <u>Member Governing Bodies</u> **(Utility Board or Commission and/or City Council) – Responsibilities and Duties:**

- possess a basic understanding of MPPA's energy risk management procedures and practices as they relate to MPPA entering into market transactions on their behalf
- designate the electric utility's **Member Authorized Representative** (i.e. MPPA Commissioner or Alternate, Utility CEO, General Manager, Director, or City Manager as determined appropriate).
- determine authority limits of the Member Authorized Representative to approve risk management transactions or the delegation of such authority to MPPA
- affirm the energy hedging strategies and services provided by MPPA as outlined in the MPPA Hedge Policy through oversight of its Member Authorized Representative and his or her participation on the appropriate Hedge Committee

b. <u>MPPA Board</u> – **Responsibilities and Duties**

- possess a basic understanding of energy risk management in general and MPPA's program, policies, and procedures in particular
- approve MPPA risk management objectives
- approve General Manager and staff authority limits to conduct risk management transactions
- periodically review, make recommended changes to, and approve the Energy Risk Management Policy that establishes an overall framework for evaluation, management, and control of risk by the Agency
- approve Agency participation in specific commodity markets and the use of any derivative instruments
- receive reports by the independent risk management function of MPPA on MPPA's compliance with the ERM Policy

c. <u>Energy Hedge Plan Committees</u> – **Responsibilities and Duties**

The Hedge Policy allows for each member to select an Energy Hedge Plan to address its energy requirements and risk management objectives in conjunction with other members with similar risk management tolerances, goals, and objectives. If members do not elect to join an established Hedge Plan, they will be placed in a self-directed status where MPPA only acts to hedge member risk under that member's individual direction.

Hedge Plan Committees (HPCs) will be formed to oversee the hedging activities for each Energy Hedge Plan (with the exception of the self-directed plan).

Each HPC shall be comprised of the Authorized Representatives from members who have selected the applicable Hedge Plan along with the following ex-officio members from MPPA Staff:

1. GM
2. Chief Financial Officer (CFO)
3. Bulk Power Manager

The HPCs will have the following duties and responsibilities:

- review and approve execution strategies for energy hedge plans
- establish scope and frequency for management reporting to the committee
- recommend new commodity products, locations, or markets for consideration by the MPPA Board and the Member Governing Bodies

d. **Member Authorized Representatives – Responsibilities and Duties**
- provide appropriate risk management information to their Governing Body
- gain appropriate approvals from their Governing Body to approve MPPA's ERM and Hedge Policies and the selection of the Hedge Plan to be utilized
- gain appropriate approvals from their Governing Body for execution strategies and transaction authority delegations as they relate to MPPA entering into market transactions on their behalf
- approve participation in specific commodity markets and the use of any derivative instruments by MPPA on the member's behalf (if such transactions are allowed by MPPA's Board and each member's Governing Body as appropriate)
- receive reports by the independent risk management function of MPPA, as defined herein, on compliance with member's hedge policy selection

e. **MPPA General Manager – Responsibilities and Duties**
- assign staff to serve as members of the Internal Risk Management Committee
- possess authority to approve transactions within the limits identified in the Transaction Authority Matrix after receiving any necessary approvals specified therein
- determine proper organization, separation, or consolidation of functional activities
- assure prudent administrative procedures are established for execution of commodity and derivative transactions, contract controls, credit controls, transaction controls, risk monitoring and measurement requirements, settlement controls, and other energy risk management activities
- ensure that the identification and quantification of risks and related risk mitigation strategies are integrated into the strategic planning process.

f. **Internal Risk Management Committee – Responsibilities and Duties**

Membership shall be comprised of the following four voting committee members:

1. GM
2. CFO
3. Two member representatives as appointed by the Board
4. Bulk Power Manager (ex-officio member of IRMC)

The CFO shall serve as the IRMC Chairperson. The Chairperson shall be responsible for keeping, or causing to be kept, a record of the Committee's proceedings. Other non-voting participants shall participate in the meetings as determined by the voting committee members.

The IRMC establishes a forum for discussion of MPPA's significant risks and must develop guidelines required to implement an appropriate risk management control

infrastructure; this includes implementation and monitoring of compliance with MPPA's ERM and Hedge Policies.

The IRMC shall:

- review the energy risk management related policies and oversee enforcement by the Independent Risk Management Function
- ensure that risk management objectives, risk tolerance guidelines, and authority limits are employed throughout MPPA
- recommend to the GM the proper organizational structure, separation or consolidation of functional risk management activities
- periodically review MPPA's risk management program (a detailed review at least once a year) in light of recent changes in business practices, improved procedures, alternate MPPA's philosophy or strategy, or market modifications; and ensure continued compliance with its established guidelines
- formulate risk management strategy, policy or procedures necessary for new product or market implementation
- periodically direct an independent review (internal and/or external) of risk control policies and procedures
- hold formal IRMC meetings at least quarterly. Standing agenda items should include, but not be limited to, current commodity market strategies, power cost uncertainty, level of exposure to non-member transactions, generation production strategies and exposures, environmental strategies and exposures, control requirements/enhancements, counterparty contract and credit exposure, and policy and procedural violations
- discuss MPPA's major energy risk exposures and the steps management has taken or will take to mitigate, control, and monitor such exposures
- for market transactions executed by MPPA, perform an annual review of transaction compliance with policies and procedures
- review the infrastructure supporting risk management and ensure that it meets the requirements for risk oversight and compliance

g. **Independent Risk Management Function – Responsibilities and Duties**

This function shall be the responsibility of the Chief Financial Officer, who is organizationally independent of those whose activities initiate or directly participate in managing most of the energy risks of MPPA via the authority granted in the Hedge Policy and transaction authority section of this policy. Various departments may be required to assist in providing this function with reports or information required for risk assessment and analysis on a regular or periodic basis.

Responsibilities of the Independent Risk Management Function include:

- organize and chair the IRMC meetings
- engage the IRMC in discussions regarding events or developments that could expose MPPA to potential losses
- develop, recommend, and administer risk management processes and procedures; provide input to tools to assist in risk management
- provide for risk management education/training to Board, staff and management

- review risk management activities, risk controls, and recommend modifications of controls to meet changing business needs
- perform periodic internal reviews of risk control policies and procedures to ensure that MPPA complies with its risk policies
- report any violation of MPPA's risk policies to the Board and appropriate Committees
- review and recommend changes to the risk management policies and procedures, as appropriate
- report to MPPA Board on MPPA's compliance with its risk policies and risk management in accordance with the policies

5. **Transaction Authority Requirements**

The purpose of this section is to define the authority granted by the MPPA Board of Commissioners and local Governing Bodies (as directed by the Member Authorized Representative) to the General Manager to execute and delegate authority to execute energy related transactions. Furthermore, it sets forth clarity and empowerment among those with transaction authority and is designed to encourage communication among individuals with transaction authority and the MPPA Board of Commissioners. Changes to the Authority Matrix must be approved by MPPA's Board of Commissioners and each Member's Governing Body using the Matrix to delegate transaction authority as it may relate to MPPA entering into market transactions on the Member's behalf.

a. **Objectives**

The objectives of the MPPA Transaction Authority Requirements are to define:

- who has authority to execute transactions and any limits placed on such authority
- the commodities and products that can be transacted
- counterparty contract and credit requirements
- the process for approving new commodities, products or locations
- MPPA's intentions regarding hedging and speculating
- other relevant factors associated with due diligence in authorizing transactions to be executed

b. **Procedural Requirements**

The following defines procedural requirements that apply to all commodities and products transacted under this Transaction Authority Requirements document.

Execution Authority

Execution Authority is outlined by commodity though the Transaction Authority Matrix. Appendix B illustrates the initial Transaction Authority Matrix at the writing of this policy and serves as a sample for future transaction authority matrices that may be developed.

The Authority Matrix identifies Board authorized transactions for the GM and explicitly provides for delegation of the GM's authority to MPPA staff. The GM can modify this delegated authority at his sole discretion as long as the delegated

authority does not exceed his own authority per this policy. Delegated authority by the GM will be provided in writing and approved by the Internal Risk Management Committee.

Contract Requirements

Transactions with counterparties shall only be permitted if MPPA has:

- an active, valid, and executed agreement enabling such transaction activity with that counterparty such as a "standard" EEI or ISDA as may be amended and approved as appropriate
- a long-form confirmation (used in-lieu-of a permanent agreement, when necessary, only if approved by the CFO)

Credit Sleeving

No sleeving transactions for credit purposes shall be executed. (Note: Sleeving is an arrangement where a more financially reputable entity acts as middleman for a smaller, undercapitalized entity in the purchase or sale of energy.)

Record of Transactions

All transactions must be executed via a recorded communication method. Examples include a voice recorded communication line, instant messaging or an on-line broker account. Recorded communications must be maintained and controlled by MPPA's Information Technology Manager. Transacting on cellular phones or off premises telephones is prohibited.

Deal Capture

All transactions executed by an MPPA employee must be promptly captured in a trade capture system after deal execution.

Speculation

No speculative transaction activities shall be permitted, and no speculative transaction positions shall be initiated. Transacting will be permitted only for purposes of hedging and portfolio optimization.

Non-Standard Products Requiring Board Approval

The MPPA Board must approve any transaction that involves commodities or products that are not covered by an approved Authority Matrix

The purpose of defining a process for such transactions as noted above is to ensure that the exposures associated with them are thoroughly reviewed and understood by the Board and appropriate transaction controls are in place. The Board must approve the use of such transactions prior to execution using the process defined below:

- Transaction Proposal - The proposal is the responsibility of the person or business group proposing the transaction. The proposal should address the business need, risks, transaction controls, valuation methodology, accounting methodology, operations workflow/methodology, and assessment of legal and regulatory issues.
- Internal Risk Management Committee Review - The Committee will perform a review on behalf of, and make a recommendation to, the Board on the benefits

and risks of the proposed transaction. The Board will assess the proposed transaction and make a determination whether to add the proposed transaction to the approved list.

- Pilot Program or "One-off" Transaction The Board may approve limited use of a proposed transaction under a pilot program or trial basis to insure that proper controls are in place to monitor the activity before broader use is allowed. The Board may also approve a proposed transaction (without instituting a Pilot Program or further use) if the proposed transaction is going to be used only once (one-off).

6. **Credit Management Requirements**

Wholesale counterparties must submit a copy of their company's most recent Creditworthiness Assessment from the Midwest Independent Transmission System Operator, Inc. (MISO) that is compiled in accordance with MISO's Credit Policy (Attachment L of the Energy Markets Tariff). The credit limit established as a result of the review performed by MISO will be used to establish the credit limit for bilateral transactions with each counterparty.

Counterparties will have continuous evaluation as they may, from time-to-time, appear in financial/trade publications that will be reviewed by MPPA. Items of risk significance relating to counterparties will be noted and cause reassessment. Such items will include, but are not limited to, downgrade events or business practices that are not conforming to appropriate ethics. In such event, or any other event occurs that triggers a review by MISO of the counterparty's creditworthiness, the new letter from MISO will promptly be requested and obtained from the counterparty before new transactions with that counterparty will be allowed.

If the proposed counterparty fails to meet the evaluated criteria, but there is a sufficient reason to justify transacting with the counterparty, then the counterparty will be required to make a prepayment for any purchases the counterparty makes from MPPA. Based upon the results of the analysis for the counterparty, an unsecured transaction limit and a list of any special conditions will be prepared for the counterparty.

7. **Counterparty Concentration Risk Mitigation**

- MPPA shall always maintain relations and agreements with at least three (3) counterparties that are actively trading in MISO.
- No more than fifty (50%) of MPPA's annual bilateral energy and capacity purchases (excluding MPPA owned or jointly-owned assets) shall be acquired from a single counterparty. A HPC, or a member within a self-directed plan, may also develop further concentration risk mitigation strategies.

8. **Written Agreements Covering Transactions**

MPPA shall not enter into a Power Purchase Commitment or "PPC," on behalf of a participating member, unless: (i) the PPC is covered by the Energy Services Agreement with

the participating member, the form of which has been approved by both the MPPA Board and the participating member's governing body and executed by MPPA and the participating member, and the participating member has delivered an opinion of local counsel, to the effect that the Energy Services Agreement has been approved by the participating member's governing body and is a valid and binding agreement of the participating member, enforceable against it in accordance with its terms; or (ii) the PPC is covered by a written agreement with the participating member, the form of which has been approved by the MPPA Board and the participating member's governing body and executed by MPPA and the participating member, and the participating member has delivered an opinion of local counsel, to the effect that the written agreement has been approved by the participating member's governing body and is a valid and binding agreement of the participating member, enforceable against it in accordance with its terms.

9. **Working Capital Requirements**

The MPPA Board shall require, within its transaction approval process, transaction participants to maintain an adequate level of working capital on account with MPPA during the duration of a transaction that has been executed by MPPA on a member's behalf.

10. **Financial and Physical Firmness of Energy**

Each HPC will determine a minimum percentage level of its Plan's energy requirements that will be delivered physically and/or financially firm consistent with this Policy's Transaction Authority.

11. **Transaction Duration and Maturity Diversity**

Each HPC will develop transaction criteria to ensure duration and maturity diversity.

12. **Policy Effective**

This Energy Risk Management Policy is in effect upon the Board's approval and shall remain in effect until a replacement policy has been approved by the Board superseding this Energy Risk Management Policy. This policy supersedes the prior version of Exhibit 2 of the Energy Services Agreement between MPPA and Energy Services Project Participants (entitled Energy Services Risk Management Policy) upon ratification and approval of associated changes and amendments to the Energy Services Agreement

13. **Responsibility**

It shall be the responsibility of the Board of Directors, through its supervision and oversight of MPPA's GM, to ensure compliance with this policy.

Approved: _____ Attest: _____
Chair Secretary

Effective: _____

Appendix A

Definition of Risks

Commercial operational risk is the risk of loss from inadequate or failed internal processes, people, and systems.

Commodity market price risk is the risk of loss due to potential fluctuations in the prices of an underlying energy commodity. In the wholesale power market, MPPA has risk that commodity prices rise, spike or are generally high when it is short of meeting its firm supply obligations. MPPA has risk that prices fall or are generally low when it has excess capacity or electric energy compared to its firm supply obligations.

Due to heavy reliance on coal generation units, MPPA has a natural short position in the coal that it needs to supply fuel to its generating resources.

Commodity market price risk occurs across all tenures, from the hourly market to the long-term forward market (5 years +). MPPA is exposed to commodity price risk for power, coal, natural gas, emission allowance (SO2 and NOX), fuel oil and various bulk materials (e.g. ammonium, limestone) that exhibit price volatility.

Contract risk or Counterparty performance risk is the risk of a potential adverse occurrence of a counterparty's ability to operationally perform on an agreement or due to contractual provisions that leave MPPA with no recourse under an event of default.

Concentration risk is the risk of having large exposures to significant power supply components. Concentration risk can be found with suppliers (contract and credit risk), generation units (outage risk), unit technology (environmental), native load customers (smelters).

Credit risk is the risk of a potential adverse occurrence of a counterparty's ability to pay its obligations (debts) to MPPA or the supplier declares bankruptcy and abrogates a supply contract that must be replaced during a time of higher commodity market prices.

Delivery risk is the risk that MPPA cannot meet a firm supply obligation due to a transmission constraint. Delivery risk is natural to MPPA in meeting its firm supply obligations and reliability of service. MPPA can also be exposed to delivery risk in the transportation of its fuel supply.

Cash margin risk is the risk associated with inadequate cash flow resulting from margin requirements of a contractual agreement. For example, the EEI Master Agreement provides that counterparties may margin each other when they are overexposed above credit thresholds that were negotiated between the parties when the agreement was executed. Credit exposures include replacement cost exposure on a mark-to-market basis when a counterparty's position is out-of-the money

Operations risk is the risk associated with physical assets. This would include failures or outages associated with generation units, fuel delivery systems (weather or mechanical),

generation step-up transformers, the transmission system, control systems, or other critical components associated with the production or delivery of electricity.

Volumetric risk is the risk that energy commodity volumes will vary from expected and result in a potential loss due to changing commodity market prices. The primary volumetric risks that MPPA is exposed to are *load forecast/ weather variability risk, forced outage/ de-rate risk, loss of load (smelter load concentration)*, and *transmission delivery risk, and transmission congestion risk.*

Load forecast/weather variability risk is the risk that actual loads differ from forecasted loads due to the error in weather forecasts and load forecasts. This risk is natural to MPPA's portfolio since it serves load serving entities. Since this risk will result in MPPA being unintentionally long or short in the spot market, it naturally results in hourly market price risk.

Forced outage and de-rate risk is the risk that a generating unit does not perform when it is expected to be available, or when it performs below expected capability. This risk is natural to MPPA's portfolio since it owns and operates generation units to meet its load requirements. Since this risk will result in MPPA being unintentionally short in the market, it also naturally results in market price risk.

Loss of load risk is the risk that MPPA loses a significant portion of one of its members' load, for example an aluminum smelter, and that the market price for electricity coincidentally falls below the sales price of the lost load and thereby creates a financial strain on MPPA. However, if market prices for electricity remain above the sales price of a potential lost load it would create a financial benefit to MPPA.

Congestion risk is the risk of negative price differentials between the location of power supplies and the demand location. If MPPA needs to buy electricity and the transmission system is congested, it would pay a premium to secure the needed electricity, if it is available at all. If MPPA has excess electricity to sell and the transmission system is congested, then it may not be able to sell the excess or may have to sell at a discounted price to a non-congested area. Congestion risk typically manifests itself in power commodity market price risk.

Appendix B

Bilateral Electric Power and Transmission Transaction Authority Matrix

The following outlines transaction limits, definitions, and procedural requirements for power and power transmission transactions including capacity.

Title	Product	Term	Required Transaction Approvals
MPPA GM or his delegated representative	Electric Power, Trans., and Capacity	> 1 Year	Any transaction with a term greater than one year must be approved by the Member Authorized Representative and the MPPA Board of Directors who may identify price and/or volume restrictions
		> 1 Month ≤ 1 Year	Any transaction with a term greater than one month but less than or equal to one year must be approved by the Member Authorized Representative who may identify price and/or volume restrictions
		≤ 1 Month	None, unless the appropriate Member Authorized Representative identifies in writing certain price and/or volume restrictions

Bilateral Electric Power and Transmission Transaction Trading Authority Matrix Explanations

- Authorized products include electric power and transmission as well as bilateral ancillary services and capacity. MISO Module E Capacity as well as capacity transacted via the MISO and PJM capacity auctions are specifically authorized hereunder.
- MISO and/or PJM authorized products are Generation and Demand Awards, Import/Export Transactions, Ancillary Service Awards, and Financial Transmission Rights. All such products must follow all applicable MISO requirements.
- The transaction approval requirements apply to both purchases and sales

Delivery Locations

Transacting at delivery locations outside the eastern interconnection is not permitted. Transacting at delivery locations that are normal to the daily course of business for MPPA, to the extent transmission is available, is authorized as follows:

Unrestricted Delivery Locations

- MISO Michigan Hub

- MISO - Member Load Commercial Pricing (CP) node or any other CP Node within Michigan
- MISO - Cinergy Hub/Indiana Hub
- MISO - Minnesota Hub (for Marquette)

Transacting at any other delivery locations within the eastern interconnection must be approved consistent with the Authority Matrix above.

Firmness of Power

The product firmness of all transactions must be provided for in an executed agreement between MPPA and the appropriate counterparty. Sales commitments must never be more firm than the supply source.

Transmission Firmness and Volume

Transmission purchases need to be of equal firmness and volume to the energy component that such transmission purchase is associated with, unless approved otherwise consistent with the Authority Matrix above.

Responsibility

It shall be the responsibility of the Board of Commissioners and the MPPA General Manager to ensure compliance with this Authority Matrix.

Approved:_____ Attest:_____

Chair Secretary

Effective: _____

CITY OF WYANDOTTE
REQUEST FOR COUNCIL ACTION

MEETING DATE: October 1, 2012 **AGENDA ITEM # 7**

ITEM: Municipal Services – Adoption of a WMS Natural Gas Risk Management and Hedge Policy

PRESENTER: Melanie McCoy, General Manager

INDIVIDUALS IN ATTENDANCE: Jim French, Director of Power Supply

BACKGROUND: Currently, WMS is purchasing gas on the spot market to provide the necessary fuel for the boilers and production of steam and electricity. In order to reduce the natural gas price risk and achieve stable power production costs, energy costs and electric rates, WMS has developed a Risk Management and Hedge Policy for gas purchasing. WMS has contracted with Dillon Energy Services to purchase natural gas contract services, at a cost lower than the State of Michigan Energy Purchasing Cooperative. The Natural Gas Risk Management and Hedge Policy is based on the expected monthly natural gas needs for the following 36 months. The framework for the program will be a rolling three year, seasonal hedge plan. The current purchasing on the spot market has been advantageous to date, however there is a direct risk to our power supply costs due to the volatility in the natural gas markets. WMS Commission adopted the Natural Gas Risk Management and Hedge Policy per resolution 09-2012-03.

STRATEGIC PLAN/GOALS: Fiscal Responsibility and Fuel Supply Risk Management.

ACTION PLAN: Concur with WMS Resolution 09-2012-03.

BUDGET IMPLICATIONS & ACCOUNT NUMBER: Supports Power Supply Business Plan and Rate Projections.

IMPLEMENTATION PLAN: WMS will proceed with the framework for the rolling 3 year seasonal plan.

COMMISSION RECOMMENDATION: Resolution 09-2012-03 approved

CITY ADMINISTRATOR'S RECOMMENDATION: ok

LEGAL COUNSEL'S RECOMMENDATION:

MAYOR'S RECOMMENDATION:

LIST OF ATTACHMENTS: Resolution 09-2012-03
WMS Natural Gas Risk Management and Hedge Policy
Resolution 07-2012-05
Dillon Energy Services Sales Agreement

MODEL RESOLUTION:

RESOLUTION

Wyandotte, Michigan
Date: October 1, 2012

RESOLUTION by Councilman_____

BE IT RESOLVED by the City Council that Council Concurs with the Wyandotte Municipal Service Commission in the following resolution.

A Resolution authorizing the adoption of the MPPA Hedge Policy and Completion of the Member Power Supply Portfolio Risk Management Election Form.

I move the adoption of the foregoing resolution.
MOTION by
Councilmen_____

Supported by Councilman_____

YEAS	COUNCIL	NAYS
	Browning	
	DeSana	
	Fricke	
	Galeski	
	Sabuda	
	Stec	

RESOLUTION 09-2012-03

Adoption of a Wyandotte Municipal Services Natural Gas Risk Management and Hedge Policy

WHEREAS, Wyandotte Municipal Services, is in need of natural gas contracts for the Wyandotte Municipal Services Power Plant; and

WHEREAS, it is good and prudent practice to reduce natural gas price risk in order to achieve stable power production costs, energy costs and electric rates; and

WHERAS, WMS staff has developed a Wyandotte Municipal Services Risk Management and Hedge Policy; now therefore

BE IT RESOLVED by the Wyandotte Municipal Service Commission, a majority of its members thereto concurring, that the Wyandotte Municipal Services Natural Gas Risk Management and Hedge Policy is hereby adopted and that the General Manager is hereby authorized to execute natural gas purchase agreements which are consistent with the policy and for the purpose of meeting its goals and objectives.

ADOPTED this 11th day of September 2012.

ATTEST:

WYANDOTTE MUNICIPAL SERVICE COMMISSION

By:_____
President

By:_____
Secretary

WYANDOTTE
MUNICIPAL SERVICES

Wyandotte Municipal Services Natural Gas Risk Management and Hedge Policy

Introduction

Wyandotte Municipal Services (WMS) Power Plant will be routinely exposed to the fuel price risk of natural gas procured to generate electricity. Volatility in the natural gas markets may present a substantial and direct risk to the Participants' power costs. Management of these risks is paramount to WMS's success.

This Risk Management Program describes the risk management goals and framework that WMS will use to implement its natural gas risk management program for the plant.

Governance

It is intended that this Power Plant Risk Management Program ("Program") in its approved form will be approved by the Wyandotte Municipal Services Commission. Changes to this program require the approval of the Wyandotte Municipal Services Commission. Execution of transactions under this Risk Management Program would be subject to the controls, approvals and limits described in the WMS Corporate Energy Risk Control Policy.

Wyandotte Municipal Services staff has been assigned and will be responsible for providing ongoing guidance and to make recommendations to the WMS Commission for the implementation of this Program.

Specific strategies and hedging recommendations will be reviewed and developed at periodic Hedging meetings between WMS and its Natural Gas Consultant. WMS and its Natural Gas Consultant will provide periodic updates to the WMS Commission regarding WMS's natural gas exposures and the performance of the Program.

Risk Management Program Goals

The overall goal of the natural gas risk management program is to reduce price uncertainties and lower net power generation costs from the plant while maintaining the plant's competitive position in the market. To obtain this goal, the Program is designed to identify exposures to movements in natural gas prices; quantify the impact of these exposures on WMS's financial position; mitigate the impact of those exposures; and monitor and report on the effectiveness that selected strategies have in managing risk.

WMS will conduct its risk management activities based on the following volumes:

A. expected monthly natural gas needs for WMS's load served from the plant for the following 36 months

These volumes will be exclusive of any expected base generation that will be resold to market and not used for serving load and any long term gas hedges or purchases.

No speculative transactions for volumes in excess of forecasted fuel needs shall be executed. Trading and hedging activities pursuant to the natural gas risk management program will be conducted to achieve results consistent with the above stated program goal.

Short-term Hedge Targets and Strategies

The framework for the short-term portion of the Program will be a rolling Three (3) year, seasonal hedge plan. The hedge schedule percentages for the prompt season will be set at a declining hedged objective as outlined in the table below, and as a percentage of the expected burn. These levels were chosen to provide discipline on the minimum hedge level side and as protection for over-hedging on the maximum hedge level side.

The hedge percentages will be achieved by implementing a time-driven programmatic strategy. Time-driven programmatic hedges are consistent, regular transactions executed according to a time schedule without regard for market conditions. The purpose of these transactions is to achieve a reduction in cost variability by establishing continually increasing amounts of hedge coverage as the actual date of consumption approaches. Hedging decisions to reach targets percentage hedge levels will be based on price-driven or opportunistic strategies. The purpose of price-driven or opportunistic strategies is to capitalize on market opportunities when conditions are favorable. WMS will base its decision to execute price-driven or opportunistic hedges on the impact to the net gas and power costs for; and the reduction of risk achieved by the proposed hedge.

Price-driven or opportunistic hedges should be executed when price levels are favorable to lowering the net gas and power cost of below the stated program goals thus reducing the overall risk of the portfolio. Conversely, price-driven or opportunistic hedges can be executed in adverse market conditions relative to gas and power cost goals. The purpose of these hedges would be to reduce the overall risk of the portfolio to upward trending market prices.

Price-driven and opportunistic hedging strategies will be structured to capitalize on the efficiency and optionality of the generation unit as compared to current power prices for the same tenor. The Plant's heat rate enables the plant to produce power at a cost below current market prices. A desire to capture this benefit would result in additional hedge volumes.

The overriding limits and hedge targets will be tied to WMS's monthly anticipated requirements for natural gas. Limits and hedge targets, expressed as percentages of WMS's volumetric requirements, will be established for time-driven programmatic hedge transactions and price-driven or opportunistic hedge transactions. These limits and hedge targets may be amended by the WMS Staff as needed. The current schedule is listed below:

Contract Year	Contract Period	Maximum Position Limit *
1	Nov-Mar	80%
1	Apr-Oct	75%
2	Nov-Mar	50%
2	Apr-Oct	25%
3	Nov-Mar	20%
3	Apr-Oct	20%
* The percentages in this table are notional		

It is the intent of this Program to stay within the bounds of the above hedge schedule wherever practicable. However, due to the fact that natural gas contracts are more commonly traded in strips (annually, seasonally) rather than monthly, it may be prudent to deviate slightly from the hedge schedule in the outer months (months 31-36) rather than buy one month at a time. Such exceptions will be recommended by the Natural Gas Contractor and approved by WMS staff.

As part of this Program, hedge positions may be modified, repositioned or unwound for the purpose of maintaining hedge coverage that matches changes in fuel consumption levels or price expectations.

Actual hedge positions will include natural gas futures, natural gas swaps and natural gas options (calls and puts). Hedge coverage using natural gas options will be measured according to each option trade delta (i.e. a costless collar hedge is measured as one hedge product).

Long Term Hedge Strategy

Gas hedges/purchases for a term longer than the 36 month hedge plan must be approved by WMS Commission.

Natural Gas Risk Management Program Metrics

The success of this Program will be measured by achieving an expected gas /power generation cost and by reducing WMS's price risk exposure to the natural gas market. The following two metrics will be utilized to manage WMS's gas risk management program:

- Net gas cost compared to market and program goal
- Gas cost @ risk

These metrics will be reviewed when making price-driven or opportunistic hedging decisions to ensure that the transactions are consistent with the goals of the natural gas risk management program. These metrics will be updated and reported by Natural Gas Contractor to WMS on a weekly basis.

Program Reporting Requirements

The following reports are required to manage the natural gas risk management program and to ensure its success:

- Net gas and power cost compared to actual market and program goal
  - Monthly calculation based on hedged and unhedged position
  - Program goal will be the forecast of Power Plant - power cost documented in the Power Supply Planning Model as compared to market projections
  - Calculations should include energy and capacity
- Gas @ risk
- Hedge performance analysis
  - After-the-fact reports that measure the performance of the natural gas risk management program compared to actual market clearing prices

Glossary

Call Option - An option that gives the buyer (holder) the right, but not the obligation, to buy a futures contract (enter into a long futures position) for a specified price within a specified period of time in exchange for a one-time premium payment. It obligates the seller (writer) of an option to sell the underlying futures contract (enter into a short futures position) at the designated price, should the option be exercised at that price.

Collar -- For our purposes, a collar is created by purchasing a call option and selling a put at the same time to 'collar' the potential outcomes on the up as well as down sides. A "costless collar" consists of purchasing a call option and selling a put option that have the same premium, thus netting the cost to zero.

Delta - The sensitivity of an option's value to a change in the price of the underlying futures contract, also referred to as an option's futures-equivalent position. Deltas are positive for calls, and negative for puts. Deltas of deep in-the-money options are approximately equal to one; deltas of at-the-money options are 0.5; and deltas of deep out-of-the-money options approach zero.

Futures Contract - A supply contract between a buyer and seller, whereby the buyer is obligated to take delivery and the seller is obligated to provide delivery of a fixed amount of a commodity at a predetermined price at a specified location. Futures contracts are traded exclusively on regulated exchanges and are settled daily based on their current value in the marketplace.

Put Option - An option which gives the buyer, or holder, the right, but not the obligation, to sell a futures contract at a specific price within a specific period of time in exchange for a one-time premium payment. It obligates the seller, or writer, of the option to buy the underlying futures contract at the designated price, should an option be exercised at that price. See call option.

Swap - A custom-tailored, individually negotiated transaction designed to manage financial risk, usually over a period of one to 12 years. Swaps can be conducted directly by two counterparties, or through a third party such as a bank or brokerage house. The writer of the swap, such as a bank or brokerage house, may elect to assume the risk itself, or manage its own market exposure on an exchange. Swap

transactions include interest rate swaps, currency swaps, and price swaps for commodities, including energy and metals. In a typical commodity or price swap, parties exchange payments based on changes in the price of a commodity or a market index, while fixing the price they effectively pay for the physical commodity. The transaction enables each party to manage exposure to commodity prices or index values. Settlements are usually made in cash.

RESOLUTION 07-2012-05

AUTHORIZING THE GENERAL MANAGER TO EXECUTE AN AGREEMENT WITH DILLON ENERGY SERVICES, INC.

WHEREAS, Wyandotte Municipal Services, is in need of natural gas purchasing services to assist in the bid, evaluate, procure, schedule, process and monitor invoicing of natural gas contracts for the Wyandotte Municipal Services; and

WHEREAS, Dillon Energy Services, Inc. has agreed to provide these services at an overall lower cost than the State of Michigan Energy Purchasing Cooperative, which was publicly bid; and

WHERAS, Dillon Energy Services, Inc. will purchase and deliver natural gas to the DTE (MichCon) interconnection per the terms of the agreement; now therefore

BE IT RESOLVED by the Wyandotte Municipal Service Commission, a majority of its members thereto concurring, that the General Manager be and hereby is authorized to execute the attached agreement with Dillon Energy Services, Inc.

ADOPTED this 31st day of July 2012.

ATTEST:

WYANDOTTE MUNICIPAL SERVICE COMMISSION

By:_____ **By:**_____

President **Secretary**

DILLON ENERGY
S E R V I C E S

May 17, 2012

City of Wyandotte
3200 Biddle Avenue
Wyandotte, MI 48192
Attention: Melanie McCoy, P.E.

Dear Melanie,

Dillon Energy Services (DES) and Twin Eagle (TE) propose a full service energy management agreement to lower The City of Wyandotte's cost of energy. The following is a brief outline of the proposed services:

1. Natural Gas supply priced at the Gas Daily Daily MichCon City Gate average minus $0.02/MMbtu. DES will also provide forward hedging up to 5 years. This is important because as natural gas becomes the fuel of choice for power generation, we anticipate an increase in the volatility in the gas market in the future. This volatility could be heightened with other variables such as the price of crude and coal, LNG exports, environmental concerns with shale production, and weather. DES and TE will assist City of Wyandotte to make decisions on gas purchasing and provide all necessary financial instruments including basis and Nymex hedges, caps, collars etc.
2. Full management of natural gas. This includes purchasing strategies, monthly nominations and mid-month nomination changes as necessary, penalty protection, storage management and customized reporting with savings analyses and budget reports. DES will also interface with utility or pipelines on behalf of City of Wyandotte upon request.
3. Affinity Program. This low risk program can be offered to all your residents and small commercials to save money on their individual energy costs. For every enrollment a $25 donation will be given to the 501(c)(3) entities designated by the City of Wyandotte. See attached Gary Dillon's personal savings on the Gas Choice Program.
4. Assistance in maximizing the efficiency of the City of Wyandotte Power Plant, which may enhance the revenue stream from your generation facility. Between Twin Eagle's access to natural gas, coal market and generation intelligence and their regular monitoring of the North American grid, we have firsthand information to allow you to make informed decisions. TE currently manages over 7,000 MW of generation in North America. Similar to what they have done in gas, they have built an infrastructure that gives us the ability to capture essential information to optimize a generation facility.

We look forward to working with you.

Sincerely,

Janice M. Rosso

Janice M. Rosso
Executive Vice President
Dillon Energy Services

22100 Greater Mack Ave., Suite 1, St. Clair Shores, MI 48080-2330
586.541.0055 t • 586.541.0048 f • www.dillonenergy.com

DILLON ENERGY
SERVICES

Natural Gas Sales Agreement

This Natural Gas Sales Agreement (the "Agreement") is made and entered into by Dillon Energy Services, Inc. (DES), a Michigan Corporation (Seller) and Wyandotte Municipal Services, a Michigan _____ (Buyer) on this___ day of _____, 2012.

I. SALE AND PURCHASE

Seller agrees to sell and Buyer agrees to buy and pay for natural gas as specified in Schedule A in accordance with all of the Terms and Conditions of this contract.

II. TERM

The term of this Agreement shall commence on the date above written and shall continue for a period of one (1) year. This Agreement shall automatically renew for successive one (1) year periods upon the anniversary date of the contract until terminated. This Agreement may be terminated by either party effective at the end of the initial term, or any renewal term thereafter, by giving the other party thirty (30) days advance written notice of such termination prior to the end of the term.

III. POINT OF SALE

Seller shall deliver pipeline quality gas acceptable to the measuring party and into the point(s) of sale specified in Schedule A.

IV. WARRANTY OF TITLE

Seller warrants clear title at the point of sale, free from all Liens and Encumbrances, Severance and State Taxes, and Royalties due royalty and mineral owners. Seller agrees to indemnify and hold Buyer harmless from all suits, actions, or claims to the contrary.

V. NOMINATIONS

Seller will nominate volumes monthly on behalf of the Buyer, in accordance with the attached Consulting Agreement Schedule B, based on prior usage history and projected current requirements. Buyer agrees to provide Seller with accurate weekly meter reads and monthly utility bills upon receipt from the utility. Buyer agrees to advise Seller of any schedule or equipment changes that could impact usage. Seller will nominate supplemental volumes if necessary to maintain adequate storage volumes, (minimum 3%), and to prevent unauthorized usage penalties.

VI. STORAGE

Seller will have full control and responsibility for managing the City of Wyandotte storage account under its MichCon Gas Service contract.

VII. CREDIT and PAYMENT

Dillon Energy has retained Euler Hermes ACI to review the credit history of all of its Buyer's and to establish credit limits and necessary security requirements. Euler maintains a continuous oversight of the DES Buyers and once credit limits have been established, barring any significant negative change in the credit rating of the Buyer, no additional security will be required.

After Buyer qualifies and is accepted for DES's Business Credit Insurance Policy, Seller will invoice the Buyer based on actual usage per MichCon's meter reads, on approximately the 5th business day following the delivery month. Buyer agrees to pay seller by electronic funds transfer or other agreed upon method of payment on or before the 20th of the month after the delivery month. Buyer will be financially responsible for any term gas purchased on their behalf.

If Buyer fails to remit any amounts invoiced when due on or before the 20th of the month, Seller will notify the Buyer nominations on the Buyer's behalf will be terminated, unless other payment arrangements have been agreed upon. Buyer shall therefore become liable for paying penalties assessed by the Buyer's utility for insufficient deliveries of natural gas.

VIII. TAXES

Seller shall pay or cause to be paid all lawful taxes due on Production, Gathering, and Severance prior to the point of sale. Buyer shall be responsible for all taxes after taking possession and title at the point of sale. Buyer agrees to provide Seller with a sales/use tax exemption certificate.

IX. FINANCIAL RESPONSIBILITY

The Seller may require a security deposit if: 1) Buyer defaults in payment to the seller; 2) Buyer declares bankruptcy or becomes insolvent; or 3) Buyer exceeds credit limit with the seller. The security deposit shall be equal to the dollar amount of gas to be nominated and can be in the form of a letter of credit or a prepayment. If the Buyer fails to provide the security deposit under the above conditions, the Seller reserves the right to suspend further deliveries of gas.

If the Buyer's payment is received after the due date, a late payment charge of 1.5% will be added to the invoice for the following month.

The Seller may terminate this contract if payment has not been received within 30 days of the due date.

X. GOVERNMENTAL RULES, REGULATIONS AND AUTHORIZATIONS

This Agreement and the rights and obligations of the parties hereunder are subject to all applicable present and future laws, rules, regulations and orders of any regulatory body or other constituted authority having jurisdiction over Seller and Buyer.

XI. FORCE MAJEURE

Neither Buyer nor Seller shall be liable to the other for failure to perform a firm obligation to the extent such failure was caused by Force Majeure. The term "Force Majeure" as

employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined below.

Force Majeure shall include but not be limited to the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption of firm

transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary firm transportation unless primary, in-path, firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship. The party claiming Force Majeure shall not be excused from its obligation to make payments then due or becoming due. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be entirely within the sole discretion of the party experiencing such disturbance.

The party whose performance is prevented by Force Majeure must provide notice to the other party. Initial notice may be given orally; however, written notification with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written notification of Force Majeure to the other party, the affected party will be relieved of its obligation to make or accept delivery of gas as applicable to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

XII. CHANGE OF CONTROL

If there is either a change of ownership or management on the part of the Buyer, Buyer agrees to notify Seller. Should such a change in ownership and/or management occur during the term of this agreement, the subsequent owner or management company agrees to honor the provisions of this agreement in its entirety.

XIII. ASSIGNMENT

This Agreement may not be assigned without the prior written consent of the other party, which shall not be unreasonably withheld. Either party shall have the right to pledge or mortgage its rights for the security of its indebtedness without the prior written consent of the other party.

XIV. MICHIGAN LAW

This Agreement shall be construed pursuant to the laws of the State of Michigan.

XV. NOTICES

All notices and statements shall be deliveries in writing via U.S. Mail, Courier, Facsimile, or email to the appropriate party at the address listed below.

070112

Seller

Dillon Energy Services, Inc.
22100 Greater Mack Ave.
Suite 1
St. Clair Shores, MI 48080-2330
Tel: (586) 541-0055
Fax: (586) 541-0048
janrosso@dillonenergy.com
Contact: Janice Rosso

Buyer

Name: Wyandotte Municipal Services

Address: 3200 Biddle Ave.
Wyandotte, MI 48192
Tel: 734.324.7111
Fax: 734.324.7119
Email: mmccoy@wyan.org
Contact: Melanie McCoy

For Payments by Wire Transfer
Dillon Energy Services Inc.
Comerica Bank
ABA# 072000096

XVI. ENTIRE AGREEMENT

All prior discussions, negotiations, and agreements between the parties, with respect to the subject matter of this Agreement, are hereby superseded by this Agreement and no statement, agreement, or understanding not contained herein will be recognized or enforced unless it is in writing and is of even date herewith or subsequent thereto, and it specifically refers to this Agreement and is executed by duly authorized representatives of the parties hereto

XVII. CONTRACT NUMBER

This Agreement shall be designated as contract number ___ in each Schedule A applicable to this Agreement.

In witness whereof the parties have duly executed and delivered this Agreement under the signatures of their respective proper officers or representatives authorized to act in that capacity. This Agreement is in effect as of the day, month and year written above.

Seller

Dillon Energy Services, Inc.

Buyer

Wyandotte Municipal Services

By: _____
Gary W. Dillon
Its: President

Date: _____

By: _____
Melanie McCoy
Its: General Manager

Date: _____

DES Sales Agent Code:_____

070112

Schedule A

Location Description

Site Name	Address	Account #	Meter #	LDC

Buyer's Signature:_____

Date: _____

Schedule B

Consulting Agreement

This Consulting Agreement is incorporated into the Natural Gas Sales Agreement and is made and entered between Dillon Energy Services, Inc. ("DES") and Wyandotte Municipal Services, (hereinafter referred to as "Buyer"). DES and Buyer agree as follows:

1. DES will assist and advise Buyer in negotiating:
   (a) Natural gas purchase agreements (hereinafter referred to as "Gas Purchase Agreements") from natural gas producers, aggregators and marketing companies (hereinafter referred to as "Producers");
   (b) Local gas distribution agreements and gas purchase contracts with local distribution companies (hereinafter referred to as "LDCs");

2. DES's services shall include, but not be limited to:
   (a) negotiation of Gas Purchase Agreements from competitive Producers;
   (b) making recommendations to the Buyer to purchase natural gas based on competitive pricing;
   (c) administration of the monthly nomination process with the Producer(s), applicable Pipeline(s), and the LDC for each location specified;
   (d) responsibility for keeping Buyer abreast of regulatory issues;
   (e) review of monthly bills for the locations specified;
   (f) acting on behalf of the Buyer to correct any billing errors;
   (g) arrangement for alternative sources of supply in the event Producer(s) are unable to perform;
   (h) acting on behalf of Buyer to correct any pipeline imbalances;
   (i) providing periodic written reports showing all costs and savings associated with transportation gas; and
   (j) such other additional duties with respect to negotiating, monitoring and administering the Transportation Accounts as are mutually agreed upon by DES and the Buyer.
   (k) DES will reimburse Buyer for any penalties incurred due to the actions or inactions of DES while managing the Buyer's main account and storage account. **Reimbursements are subject to Buyer supplying accurate weekly meter reads and monthly utility bills.**

3. Buyer agrees to:
   (a) Provide DES with accurate weekly meter reads.
   (b) Provide DES with current monthly utility bills via fax or email upon receipt from the utility.
   (c) Advise DES of schedule/shift changes, additions or deletions of major equipment or any significant changes in operations.

4. Buyer shall pay $___/MMBtu for the gas delivered for the account of Buyer during the month.

070112

DILLON ENERGY
S E R V I C E S

22100 Greater Mack Ave., Ste. 1
St. Clair Shores, MI 48080-2330
586-541-0055 Fax 586-541-0048
janicerosso@dillonenergy.com

EXHIBIT A

Buyer: Wyandotte Municipal Services

Quantity:

Month	Total Requirements	Volumes Purchased at	Volumes Remaining
Aug-12			0
Sep-12			0
Oct-12			0
Nov-12			0
Dec-12			0
Jan-13			0
Feb-13			0
Mar-13			0
Apr-13			0
May-13			0
Jun-13			0
Jul-13			0

Term: Aug 2012 - Jul 2013

Point of Sale: MichCon/DTE

Sales Person: Gary Dillon/Janice Rosso

EXHIBIT A

Full Service Energy Management Terms & Conditions

1. Natural Gas supply priced at the Gas Daily Daily MichCon City Gate average minus $.02/Mmbtu. DES will also provide forward hedging up to 5 years. This is important because as natural gas becomes the fuel of choice for power generation, we anticipate an increase in the volatility could be heightened with other variables such as the price of crude and coal, LNG exports, environmental concerns with shale production, and weather. DES and TE will assist City of Wyandotte to make decisions on gas pruchasing and provide all necessary financial instruments including basis and Nymex hedges, caps, collars etc.

2. Full management of natural gas. This includes purchasing strategies, monthly nominations and mid-month nomination changes as necessary, penalty protection, storage management and and customized reporting with savings analysis and budget reports. DES will also interface with utility or pipelines on behalf of City of Wyandotte upon request.

3. Assistance in maximizing the efficiency of the City of Wyandotte Power Plant, which may enhance the revenue stream from your generation facility. Between Twin Eagle's access to natural gas, coal market and generation intelligence and their regular monitoring of the North American grid, we have firsthand information to allow you to make informed decisions. TE currently manages over 7,000 MW of generation in North America. Similar to what they have done in gas, they have built an infrastructure that gives us the ability to capture essential information to optimize a generation facility.

Seller	**Buyer**
Dillon Energy Services, Inc	Wyandotte Municipal Services
By:_____ Gary W. Dillon	By:_____
Its: President	Its:_____
Date:_____	Date:_____

TWIN EAGLE

RESOURCE MANAGEMENT

July 2012

This presentation, furnished on a confidential basis to the recipient, does not constitute an offer of any securities or investment advisory services. It is intended exclusively for the use of the person to whom it has been delivered by Twin Eagle Resource Management, and is not to be reproduced or redistributed to any other person without the prior written consent of Twin Eagle Resource Management.

Who we are

"Twin Eagle Resource Management is an independent transportation and energy marketing company focused on customer relations, logistics and asset management. The strength of our customer business is based upon our core values, technical competence and intelligent risk management."

Leaders in energy transportation, marketing and asset management

Operating Profile

Gas

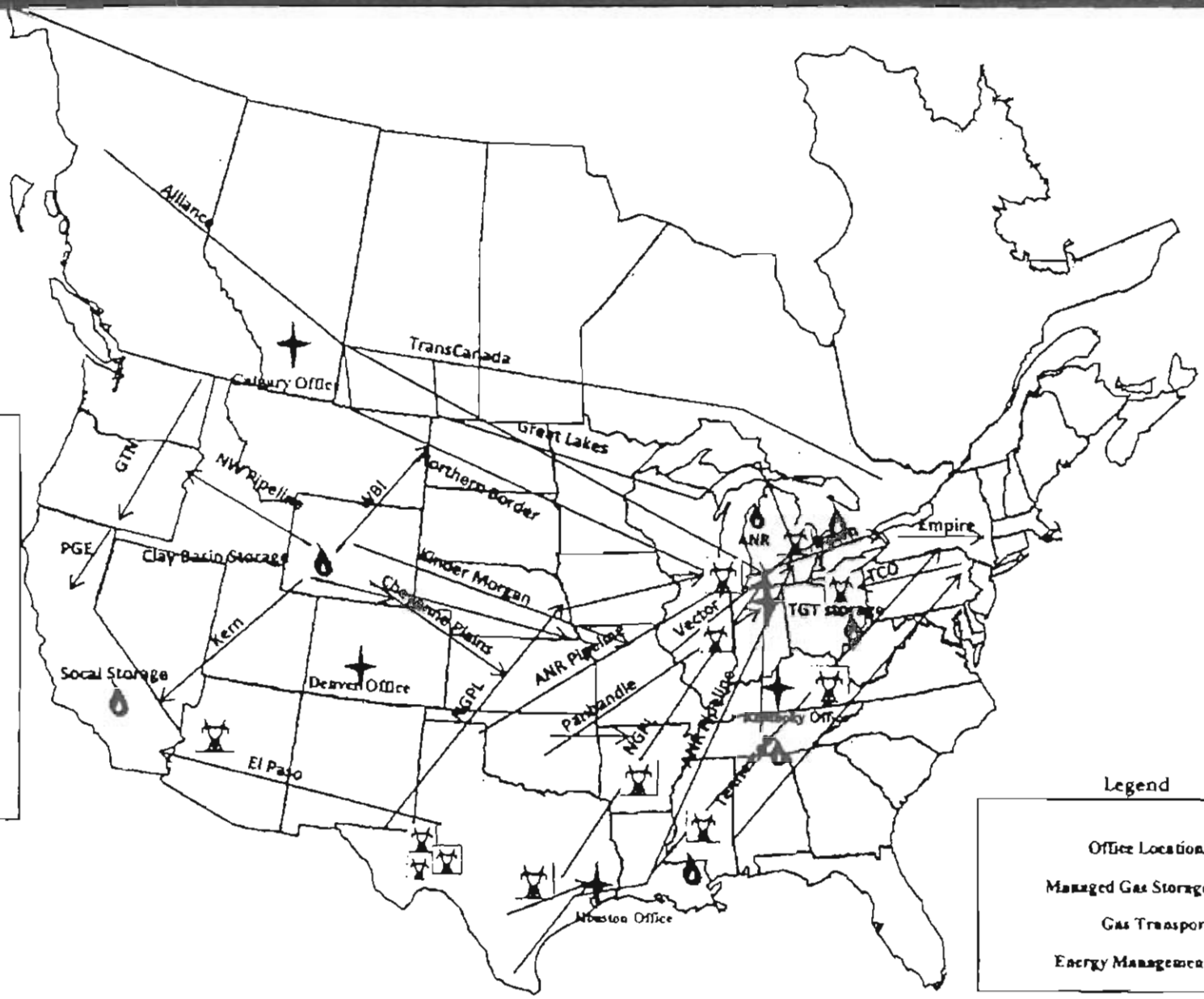
Power & Environmental

Coal

Crude

Operations

Natural Gas Assets Managed



Profile

Storage:
14.9 BCF

Asset Management:
4.2 BCF

Transport:
820,000 Dth/day

Asset Management:
82,500 Dth/day

Legend

Office Locations

Managed Gas Storage

Gas Transport

Energy Management

TWIN EAGLE

Midwest Trading Footprint

Transportation (435,000 dth/d Midwest; 820,000 Total)

- Northern Border – 120,000 dth/d
- ANR – 85,000 dth/d
- NGPL – 110,00 dth/d
- MWGT – 20,000 dth/d
- PEPL/Trunkline – 30,000 dth/d
- GLGT – 60,000 dth/d
- NNG – 10,000 dth/d
- Alliance, Viking, CEGT, Enogex – various smaller amounts

Storage (12.8 Bcf Midwest; 19 Bcf Total)

- ANR – 4.5 Bcf
- MichCon – 2 Bcf
- NGPL – 2.3 Bcf
- ANR Strg Co – 1 Bcf
- Dawn – 1 Bcf
- Clay Basis – 1 Bcf
- Various Others – 1 Bcf

DILLON ENERGY
S E R V I C E S

May 17, 2012

City of Wyandotte
3200 Biddle Avenue
Wyandotte, MI 48192
Attention: Melanie McCoy, P.E.

Dear Melanie,

Dillon Energy Services (DES) and Twin Eagle (TE) propose a full service energy management agreement to lower The City of Wyandotte's cost of energy. The following is a brief outline of the proposed services:

1. Natural Gas supply priced at the Gas Daily Daily MichCon City Gate average minus $0.02/MMbtu. DES will also provide forward hedging up to 5 years. This is important because as natural gas becomes the fuel of choice for power generation, we anticipate an increase in the volatility in the gas market in the future. This volatility could be heightened with other variables such as the price of crude and coal, LNG exports, environmental concerns with shale production, and weather. DES and TE will assist City of Wyandotte to make decisions on gas purchasing and provide all necessary financial instruments including basis and Nymex hedges, caps, collars etc.
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3. Affinity Program. This low risk program can be offered to all your residents and small commercials to save money on their individual energy costs. For every enrollment a $25 donation will be given to the 501(c)(3) entities designated by the City of Wyandotte. See attached Gary Dillon's personal savings on the Gas Choice Program.
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We look forward to working with you.

Sincerely,

Janice M. Rosso

Janice M. Rosso
Executive Vice President
Dillon Energy Services

22100 Greater Mack Ave., Suite 1, St. Clair Shores, MI 48080-2330
586.541.0055 t • 586.541.0048 f • www.dillonenergy.com

CITY OF WYANDOTTE
REQUEST FOR COUNCIL ACTION

MEETING DATE: October 1, 2012 **AGENDA ITEM #** 8

ITEM: Municipal Services – Cable Television Rate Adjustment

PRESENTER: Melanie McCoy, General Manager

INDIVIDUALS IN ATTENDANCE: Steve Timcoe, Supt. of CATV

BACKGROUND: The Wyandotte Municipal Service Commission, based on recommendation of WMMS management, approved a cable rate increase effective 11/1/2012. The rate adjustment was supported by the Cost of Service Study and the Deficit Elimination Plan. The Deficit Elimination Plan was approved by Council at their meeting of May 7th, 2012 and filed with the State to address the deficit and the 5 year plan to remedy. The five year schedule of rate increases was integral to the deficit elimination plan to address rising royalty payments and capital investments.

STRATEGIC PLAN/GOALS: Five year plan.

ACTION REQUESTED: Receive and place on file.

BUDGET IMPLICATIONS & ACCOUNT NUMBER: $560,000 increased cable revenue.

IMPLEMENTATION PLAN: The rate adjustment will be forwarded to the IT/IS department to implement and be effective for bills issued after November 1, 2012.

COMMISSION RECOMMENDATION: Resolution 09-2012-06 approved

CITY ADMINISTRATOR'S RECOMMENDATION: ok

LEGAL COUNSEL'S RECOMMENDATION: N/A

MAYOR'S RECOMMENDATION:

LIST OF ATTACHMENTS:
Resolution 09-2012-06
Cable Rate Memo
Notice to Customers
Deficit Elimination Plan with Council Resolution

MODEL RESOLUTION:

RESOLUTION

Wyandotte, Michigan
Date: Oct 1, 2012

RESOLUTION by Councilman_____

BE IT RESOLVED by the City Council that Council Receive and place on file the rates as presented in the deficit elimination plan approved by the City Council on May 7, 2012.
I move the adoption of the foregoing resolution.
MOTION by
Councilmen_____

Supported by Councilman_____

YEAS	COUNCIL	NAYS
	Browning	
	DeSana	
	Fricke	
	Galeski	
	Sabuda	
	Stec	

RESOLUTION 09-2012-06

A RESOLUTION FOR THE COMMISSION TO ADOPT THE PROPOSED CABLE TELECOMMUNICATIONS RATE ADJUSTMENT AS RECOMMENDED IN THE COST OF SERVICE PROJECTION UPDATE

WHEREAS, Wyandotte Municipal Services Telecommunications Department conducted a cost of service projection update of the 2010 cost of service study and the results of this projection update show that increased royalty fees and other inflationary operational increases resulted in expenses that exceed the necessary revenue current cable rates provide to sustain financial stability,

WHEREAS, Plante Moran recommended during the fiscal 2012 mid-year cable telecommunications budget review that the proposed 3 year rate adjustments recommended in the July 2010 cost of service study be reviewed and implemented to cover expenses,

WHEREAS, Wyandotte Municipal Services must adopt rate adjustment to ensure financial stability for the future,

BE IT RESOLVED by the Wyandotte Municipal Service Commission, a majority of its members thereto concurring, that consistent with the recommendations of Cost of Service Projection Update and the Deficit Elimination Plan, Wyandotte Municipal Services will adopt the attached cable rate adjustments and will apply these monies to the operating and capital needs of the Telecommunications Department consistent with the departments adopted budget.

ADOPTED this 18th day of September, 2012.

ATTEST:

WYANDOTTE MUNICIPAL SERVICE COMMISSION

By: _____ **President**

By: _____ **Secretary**

Municipal Service Commission
Gerald P. Cole
Frederick C. DeLisle
James S. Figurski
Leslie G. Lupo
Michael Sadowski

WYANDOTTE
MUNICIPAL SERVICES

Electric, Steam, Water
Cable Television and High Speed Internet
Service since 1889

Melanie L. McCoy
General Manager and Secretary
3005 Biddle Avenue, P.O. Box 658
Wyandotte, MI. 48192-0658
Telephone: (734) 324-7100
Fax: (734) 324-7119

September 13, 2012

Melanie McCoy
General Manager
Wyandotte Municipal Services
3200 Biddle Avenue Suite 200
Wyandotte, MI 48192

Re: 2013 Cable Rate Increase

The 2011 Cable Telecommunications cost of service study projection update revealed with our current cable rates the projected revenues for the Telecommunications Department are not sufficient to cover our anticipated expenses nor ensure financial stability for the future. The rate adjustment that was taken on 10-1-2011, per the COS update recommendation & WMS Commission Resolution 07-2011-02 has led to a projected positive cash position for fiscal 2012. It my recommendation that we implement the rate adjustment for fiscal 2013 as detailed in the COS projection update and summarized in the table below. This results in an average rate adjustment of 4.5%.

Customer Class	Current 2012 Rates	New 2013 Rates	Percentage Adjustment
RES HIGH SPD INTERNET	$ 41.75	$ 42.95	2.9%
RES LITE INTERNET	26.55	27.69	4.3%
HOME OFFICE INTERNET	62.95	65.65	4.3%
SMALL OFFICE INTERNET	84.25	87.49	3.8%
PROFESSIONAL INTERNET	104.99	108.99	3.8%
BROADCAST BASIC	16.65	17.70	6.3%
EXPANDED BASIC	23.30	24.80	6.4%
HBO	14.49	14.99	3.5%
CINEMAX	10.49	10.65	1.5%
CMX SECONDARY	21.29	22.25	4.5%
SHOW / TMC	12.49	13.10	4.9%
STARZ/SUPER PAK	11.49	11.99	4.4%
DIGITAL CONVERTER	8.99	8.99	0.0%
2ND DIGITAL CONVERTER	6.25	6.25	0.0%
DIGITAL CARD	8.99	8.99	0.0%
ADD HD WITH DVR	11.95	11.95	0.0%
ADD HD NO DVR	7.45	7.45	0.0%
HDCON W/DVR	16.75	16.75	0.0%
HDCON NO DVR	13.75	13.75	0.0%
HD CARD	13.75	13.75	0.0%
VOIP WO / INTERNET	42.45	44.45	4.7%
BIG TEN (NEW 2007)	43.99	45.99	4.5%
COM FOX**	82.99	86.99	4.8%
BULK SUBS	35.99	37.59	4.4%
VOIP W / INTERNET	34.99	36.49	4.3%
OFFICE LIGHT INTERNET	41.89	43.49	3.8%
GAMER INTERNET	59.95	59.95	0.0%
DIGITAL BASIC PROGRAM	9.10	9.69	6.5%
SEP. FAX LINE	21.99	22.99	4.5%
Totals			4.5%

Respectfully,

Steve Timcoe
Wyandotte Municipal Services

Cc: Municipal Service Commission
Paul LaManes
Todd Drysdale

Municipal Service Commission
Gerald P. Cole
Frederick C. DeLisle
James S. Figurski
Leslie G. Lupo
Michael Sadowski

WYANDOTTE
MUNICIPAL SERVICES

Electric, Steam, Water
Cable Television and High Speed Internet
Service since 1889

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General Manager and Secretary
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Wyandotte, MI. 48192-0658
Telephone: (734) 324-7100
Fax: (734) 324-7119

September 25, 2012

*info from – Mailing Name
*info from – Mailing Address
*info from – Mailing City, State, Zip Code

Dear Wyandotte Municipal Services Cable Telecommunications Subscriber:

On September 18, 2012 the Wyandotte Municipal Service Commission approved an adjustment to the cable telecommunication (Cable, Internet and Phone) rates. These adjustments are necessary to offset the increases in programming rates, technology fees and inflationary costs associated with various aspects of our operations. Wyandotte Municipal Services regrets the need for these adjustments but they are necessary to ensure that we can continue to bring to you the quality services that you've come to expect.

The new rates listed below will become effective November 1, 2012.**

	Current	New		Current	New
Broadcast Basic	$16.69	$17.70	Residential High Speed Internet	$42.79	$43.99
Expanded Basic	$39.99	$42.59	Residential Lite Internet	$27.25	$28.25
HBO	$14.59	$15.49	Gamer Internet	$59.95	$59.95
Cinemax	$10.59	$11.29	Office Lite Internet	$42.79	$43.99
HBO/Cinemax	$21.59	$22.99	Home Office Internet	$62.99	$65.99
Showtime/TMC/Flix	$12.79	$13.29	Small Office Internet	$84.99	$88.49
Starz/Encore	$11.69	$12.29	Professional Internet	$104.99	$109.99
Digital Programming	$9.45	$9.99			
Digital Converter	$8.99	$8.99	Unlimited Phone w/Internet	$35.49	$36.99
Add. Digital Converter	$6.25	$6.25	Unlimited Phone Only	$43.49	$44.99
HD Converter	$13.99	$13.99	Business Fax Line	$22.49	$23.29
Add HD Converter	$7.49	$7.95			
HD Converter w/DVR	$16.99	$16.99			
Add HD Conv. w/DVR	$11.49	$11.49			
Digital Card	$8.99	$8.99			
HD Card	$13.99	$13.99			

Note: The discount savings on the packages will remain the same

Package # 1	Save $4.31 (w/ Residential Internet) Save $9.31 (w/ Gamer Internet)	Package # 2	Save $3.31
Package # 3	Save $5.73 (w/ Residential Internet) Save $10.73 (w/ Gamer Internet)	Package # 4	Save $6.16 (w/ Residential Internet) Save $11.16 (w/ Gamer Internet)
Package # 5	Save $6.07 (w/ Residential Internet) Save $11.07 (w/ Gamer Internet)	Note:	For Package Savings information call 734- 324-7190 during normal business hrs.

With the above changes Wyandotte residents still enjoy some of the area's lowest rates for cable television, digital, HD & Video On Demand programming as well as high speed internet and phone. If you have any questions regarding these changes, please contact us at Wyandotte Municipal Services, 3131 Biddle Avenue, Wyandotte, Michigan 48192, by telephone at **(734) 324-7190** (8:00 am to 5:00 pm, Mon-Fri) or by email at **talk2wms@wyan.org**.

Sincerely,
Wyandotte Municipal Services

** Rates do not include Franchise Fees, Retransmission Fees and Taxes

OFFICIALS

William R. Griggs
CITY CLERK

Andrew A. Swiecki
CITY TREASURER

Colleen A. Keehn
CITY ASSESSOR

COUNCIL
Todd M. Browning
James R. DeSana
Sheri M. Sutherby-Fricke
Daniel E. Galeski
Leonard T. Sabuda
Lawrence S. Stec

JOSEPH R. PETERSON
MAYOR

May 9, 2012

RESOLUTION

Paul LaManes, Assistant General Manager
3200 Biddle Avenue
Wyandotte, Michigan 48192

By Councilman Daniel E. Galeski
Supported by Councilman Todd M. Browning

RESOLVED by the City Council that the request for Council action as submitted by Paul LaManes, Assistant General Manager of Municipal Service relative to the Municipal Service Cable Television Fund Deficit Elimination Plan is hereby received and placed on file. AND BE IT FURTHER RESOLVED that Council CONCURS with the Wyandotte Municipal Service Commission in authorizing the adoption of the Cable Fund Deficit Elimination Plan and that the Assistant General Manager be and hereby is directed to make any necessary filings of the Deficit Elimination Plan to ensure compliance with accounting requirements. AND BE IT FURTHER RESOLVED that a progress shall be submitted report every six (6) months.

YEAS: Councilmembers Browning DeSana Fricke Sabuda Stec
NAYS: Councilman Galeski

RESOLUTION DECLARED ADOPTED

I, William R. Griggs, City Clerk for the City of Wyandotte, do hereby certify that the foregoing is a true and exact copy of a resolution adopted by the Mayor and Council of the City of Wyandotte, at the regular meeting held on May 7, 2012.

William R. Griggs
William R. Griggs
City Clerk

CC: Melanie McCoy, General Manager, City Administrator

3131 Biddle Avenue • Wyandotte, Michigan 48192 • 734-324-4560 • Fax 734-324-4568 • email: clerk@wyan.org •
www.wyandotte.net

CITY OF WYANDOTTE
REQUEST FOR COUNCIL ACTION

7

MEETING DATE: May 7, 2012 **AGENDA ITEM #**

ITEM: Municipal Services - Cable Television Fund Deficit Elimination Plan

PRESENTER: Paul LaMarre, Asst. General Manager

INDIVIDUALS IN ATTENDANCE: Steve Timmer, Supt. of CATV

BACKGROUND: For the fiscal year ending 6/30/2011 the Cable Television Fund reported a deficit in unrestricted net assets. As such, the Michigan Department of Treasury requires a deficit elimination plan for eliminating the elimination of the deficit within five years. The deadline for filing the plan is May 12, 2012 as noted in the request from Treasury dated April 12, 2012.

STRATEGIC PLAN GOALS: Five year plan consistent with fiscal 2012 attached.

ACTION REQUESTED: Adopt a resolution concurring with the Wyandotte Municipal Service Commission's approval of the Cable Television Fund Deficit Elimination Plan.

BUDGET IMPLICATIONS & ACCOUNT NUMBER: N/A

IMPLEMENTATION PLAN: The resolution and all necessary documents will be forwarded to the Michigan Department of Treasury for an approval prior to the May 12, 2012 deadline.

CITY ADMINISTRATOR'S RECOMMENDATION: Concur with recommendation.

MAYOR'S RECOMMENDATION: Concur with recommendation.

MODEL RESOLUTION:

RESOLUTION

Wyandotte, Michigan
Date May 7, 2012

RESOLUTION by Councilman _____

BE IT RESOLVED by the City Council that Council Concurs with the Wyandotte Municipal Service Commission in the following resolution:

A Resolution authorizing the adoption of the Cable Fund Deficit Elimination Plan and that the Assistant General Manager be and hereby is directed to make any necessary filings of the Deficit Elimination Plan to ensure compliance with authorizing requirements.

WYANDOTTE MUNICIPAL SERVICES

MUNICIPAL SERVICES

[illegible], 2012

The Honorable Joseph R. Peterson, Mayor
and City Council Members
4241 Biddle Avenue
Wyandotte, Michigan 48192

Dear Mayor Peterson and City Council Members:

Attached for your review and adoption is a Fund Deficit Elimination Plan (FDEP) for the Cable Television Fund. This plan is required by the Michigan Department of Treasury.

The management recommends that the Commission adopt the Fund Deficit Elimination Plan as outlined in the attached letter to the Local Audit and Finance Division of the Michigan Department of Treasury.

If you should have any questions, comments or concerns, please do not hesitate to contact me.

Sincerely,

Paul L. LaMarre
Assistant General Manager
Wyandotte Municipal Services

WYANDOTTE MUNICIPAL SERVICES
RESOLUTION

05 2012-01

A RESOLUTION ADOPTING A DEFICIT ELIMINATION PLAN FOR THE CABLE TELEVISION FUND

WHEREAS, the financial statements of Wyandotte Municipal Services show a deficit in the Cable Television Fund

WHEREAS, Wyandotte Municipal Services is required to adopt a Deficit Elimination Plan that addresses and deficit in the Cable Television Fund's net assets; and

WHEREAS, Staff has prepared the attached proposed Deficit Elimination Plan to address the requirements, and therefore be

BE IT RESOLVED by the Wyandotte Municipal Service Commission, a [illegible] of its members, that the attached Deficit Elimination Plan be adopted, and that the Assistant General Manager be and hereby is directed to make any necessary filings of the Deficit Elimination Plan to ensure compliance with authorizing requirements.

ADOPTED, this the 6 day of May, 2012

ATTEST:

WYANDOTTE MUNICIPAL SERVICE COMMISSION

By: _____ Gerald P. Cole, President

By: _____ Michael McCoy, Secretary

WYANDOTTE MUNICIPAL SERVICES

MUNICIPAL SERVICES

[illegible], 2012

[illegible]
Michigan Department of Treasury
[illegible]
Lansing, Michigan 48[illegible]

Re: City of Wyandotte Department of Municipal Service Cable Television Fund Deficit Elimination Plan

Dear [illegible]:

The City of Wyandotte Department of Municipal Service Cable Television Fund reported a deficit in unrestricted net assets [illegible] at September 30, 2011. The deficit is the result of [illegible] operating revenues [illegible] for basic cable service.

The main contributors to the deficit include the following: [illegible] high definition television [illegible] equipment ($184,000) [illegible] [illegible] digital [illegible] [illegible] [illegible]

Wyandotte Municipal Services
Cable Television Fund Debt Elimination Plan
May 2012

	Projected				
	2012	2013	2014	2015	2016
Operating Revenue					
Cable Television	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Internet	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Digital	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Franchise Fee	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Franchise Fee	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total operating revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Operating Expenses					
Personnel	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cable TV Programs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Customer Service	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Office and Administrative	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
General Repairs and other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transportation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Depreciation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total operating expenses	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Operating (Loss) Income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nonoperating Income (Expenses)					
Interest expense	[illegible]	[illegible]	[illegible]	-	
Total nonoperating (expenses) income	[illegible]	[illegible]	[illegible]	-	
Net (Loss) Income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Depreciation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Purchase of Capital Assets	(329,250)	[illegible]	[illegible]	[illegible]	[illegible]
Capital Assets - Digital Upgrade	-	[illegible]	[illegible]		
Proceeds from Issuance of Debt				-	
Principal Payments	[illegible]	[illegible]	[illegible]	-	
Rate Increase Reserve (Increase)/Decrease	-	[illegible]			
Change in Unrestricted Net Assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beginning Unrestricted Net Assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ending Unrestricted Net Assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] 1,000
641,831
30,000

$ 610,785

Wyandotte Municipal Services
Cable Television Fund Debt Elimination Plan
Plan Highlights

The department performed a comprehensive rate study that was completed in July 2011 [illegible] beginning with annual increases starting in fiscal 2012. The recommended rates were adjusted to more certain causes of rate [illegible] the cost of providing the service including market conditions and changes in the variable costs of providing the service. The scheduled rate increases are as follows:

2012	6.00%
2013	4.50%
2014	3.50%
2015	3.00%
2016	3.00%

The department also implemented the following revenue changes beginning with fiscal 2012 that were recommended in the rate study:
- Reconnection fees are now fixed at the monthly billed amount through to the [illegible] of current rates for 2012
- Pay-per-view fees are now removed on the monthly bill and placed through to the [illegible] of current rates for 2012

Subscriber growth is forecasted in the highly margin internet and phone services along with Midcontinent Cable Services will results in a highly declining [illegible] forecasted for lower margin cable television services.

Consumer growth is forecasted for VOD (Video on Demand), Pay Per View and DVR (MTN revenue streams) which fall outside of the rate increases.

On an ongoing basis, the department will analyze and potentially consider offering as part of its basic cable package to [illegible] programming [illegible] tiered pricing package to minimize the impact on basic cable [illegible] rate increases.

$ 560,000

CITY OF WYANDOTTE
REQUEST FOR COUNCIL ACTION

9

MEETING DATE: October 1, 2012 **AGENDA ITEM # ____**

ITEM: Municipal Services – Water Rate Adjustment

PRESENTER: Melanie McCoy, General Manager

INDIVIDUALS IN ATTENDANCE: Bill Weirich, Water Department Superintendent

BACKGROUND: The Wyandotte Municipal Service Commission, based on recommendation of WMS management, approved a water rate increase effective 11/1/2012. This increase was supported by the Water Cost of Service Study completed in 2009 which projected 3 annual rate adjustments. The 2010 Rate Adjustment was delayed and implemented in 2011 due to efficiency and cost controls in the Water Department operations. Therefore, the FY 2013 rate adjustment represents the 3rd year increase of the commodity water charge from $1.27/Kgals to $1.35/Kgals, which results in a $0.48/mo increase to the average residential customer using 6,000 gallons of water per month. This rate increase will provide the necessary working capital to operate the plant, cover current costs, and provide the financial resources that are necessary to maintain the cash reserves.

STRATEGIC PLAN/GOALS: Fiscal Responsibility

ACTION PLAN: Receive and Place on File

BUDGET IMPLICATIONS & ACCOUNT NUMBER: $135,000 increased water revenue.

IMPLEMENTATION PLAN: The rate adjustment will be forwarded to the IT/IS department to implement and be effective for bills issued after November 1, 2012.

COMMISSION RECOMMENDATION: Resolution 09-2012-05 approved

CITY ADMINISTRATOR'S RECOMMENDATION: ok

LEGAL COUNSEL'S RECOMMENDATION: N/A

MAYOR'S RECOMMENDATION:

LIST OF ATTACHMENTS:
Water Rate Memo
Resolution 09-2012-05
Water Rate Review 2009

MODEL RESOLUTION:

RESOLUTION

Wyandotte, Michigan
Date: Oct 1, 2012

RESOLUTION by Councilman_____

BE IT RESOLVED by the City Council that Council receive and place on file the Wyandotte Municipal Service Commission resolution authorizing the adoption of the Water Department Rate effective 11/1/2012.

I move the adoption of the foregoing resolution.
MOTION by
Councilmen_____

Supported by Councilman_____

YEAS	COUNCIL	NAYS
	Browning	
	DeSana	
	Fricke	
	Galeski	
	Sabuda	
	Stec	

Municipal Service Commission
Gerald P. Cole
Frederick C. DeLisle
James S. Figurski
Leslie G. Lupo
Michael Sadowski

WYANDOTTE
MUNICIPAL SERVICES

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MEMO

September 18, 2012

To: Commissioners
From: Melanie McCoy, William Weirich

Attached is the 2009 Water Rate Review by Courtney and associates. The COS study projected rate increases each year 2009-2012. In 2010, due to the concern for our customers with multiple other utility rate increases, the Water Rate increase was deferred. The Wyandotte Municipal Service Water Department worked to control costs and delay the rate increase. In 2012 the water community charge was increased from $1.17 to $1.27/kgals.

The 2013 rate adjustment is again a commodity charge increase, instead of a meter charge increase and indicated in the power point. Pages 23-24 have been updated with the new rate of $1.35/kgals. By increasing the commodity charge from $1.27/kgals to $1.35/kgals, a customer will see a $0.48 increase per month, or approximately 2.4%. This still results in the lowest water rates in our neighboring communities.

This rate increase will provide and additional $135k and the necessary working capital to operate the plant, cover current costs, and provide the financial resources that are necessary to maintain the cash reserves.

RESOLUTION 09-2012-05

ADOPTING RATES FOR WATER SERVICE

WHEREAS, Wyandotte Municipal Services' rates are designed to cover the cost of providing service to local consumers; and

WHEREAS, Wyandotte Municipal Services completed a water utility financial and rate review in 2009; and

WHEREAS, Wyandotte Municipal Services Water Department delayed the 2010 rate increase by efficiency and cost control and implemented it in 2011; and

WHEREAS, based on the results of this cost control and review of financial projections, certain modifications to the water rates are recommended to keep the municipal water utility in sound financial condition; now therefore

BE IT RESOLVED, by the Wyandotte Municipal Service Commission, a majority of its members thereto concurring, that the attached water rates be and hereby are adopted, being effective with bills rendered on or after October 1, 2012; and

BE IT FURTHER RESOLVED, that a copy of this Resolution, water rates, and the water utility financial and rate review prepared by Courtney & Associates be forwarded to the Honorable Mayor and Wyandotte City Council for their information.

ADOPTED this 18th day of September 2012.

ATTEST:

WYANDOTTE MUNICIPAL SERVICE COMMISSION

President

Secretary

WYANDOTTE MUNICIPAL SERVICES DEPARTMENT

WATER RATE REVIEW 2009 UPDATE

SCOPE OF SERVICES

- Update Projected Revenue Requirement Analysis
- Update Cost of Service Analysis
- Review Existing Rates
- Develop Rate Adjustments

PROJECTED REVENUE REQUIREMENTS

1. Project Water Sales
2. Project Revenues at Current Rates
3. Project Revenue Requirements
4. Determine Overall Revenue Adjustment

1. Project Water Sales

- Separate Sales by Rate Class
- Normalize Historical Data
- Project Sales Growth Rates

SALES GROWTH RATES

Residential	0.0%
Commercial	0.0%
Industrial	0.0%

PROJECTED WATER SALES (Mgal)

Class	FY'09	FY'10	FY'11	FY'12
Residential	690,228	690,228	690,228	690,228
Commercial	154,935	154,935	154,935	154,935
Industrial	840,240	840,240	840,240	840,240
Total	1,685,403	1,685,403	1,685,403	1,685,403

2. Project Revenues at Current Rates

- Project Average Revenues by Rate Class*
  - Residential - $ 3.011/Mgal
  - Commercial - $ 2.836/Mgal
  - Industrial - $ 1.266/Mgal
- Multiply Water Sales by Average Rates

* Reflects Rates effective 10/1/08

PROJECTED REVENUES AT CURRENT RATES

	Mgal	$/Mgal	Amount
Residential	690,228	$ 3.011	$ 2,078,700
Commercial	154,935	2.836	439,400
Industrial	840,240	1.266	1,064,500
Totals	1,685,403	$ 2.125	$ 3,582,600

3. Project Revenue Requirements

- Cash Basis vs. Utility Basis
- Normalize Historical Data
- Review Budget (FY'10)
- Reflect Changes in Operations
  - Monthly Vs. Quarterly Billing
- Inflation (3% Per Year)

3. Project Revenue Requirements (Cont.)

- Capital Improvements
- Debt Service
- Allowance for Reserves
- Other Income Credits
  - Miscellaneous, Tap Charges, Penalties, Interest, Etc.
  - TIFA Distribution(Phased-Out)

PROJECTED REVENUE REQUIREMENTS

	FY 09	FY 10	FY 11	FY'12
Operating O&M (1)	$ 2,957,400	$ 3,041,000	$ 3,132,200	$ 3,226,200
Capital Outlay(2)	1,120,000	1,143,000	874,000	919,000
Debt Service	0	0	0	0
Allowance for Reserves	0	50,000	50,000	50,000
Other Income	(171,000)	(171,000)	(171,000)	(171,000)
TIFA Distribution	(50,000)	(186,700)	0	0
Net Revenue Requirements	$ 3,856,400	$ 3,896,300	$ 3,885,200	$ 4,024,200

(1) Excludes Depreciation
(2) Includes water main replacements funded with TIFA

4. Determine Overall Revenue Adjustment

- Compare Projected Revenue Requirements to Projected Revenues at Current Rates

DETERMINATION OF OVERALL REVENUE ADJUSTMENT

	Revenues at Current Rates	Revenue Requirement	Revenue Adjustment* Increase (Decrease) Amount	%
FY '10	$ 3,582,800	$ 3,896,300	$ 313,700	8.7%
FY '11	3,582,800	3,885,200	302,600	8.4%
FY '12	3,582,800	4,024,200	441,800	12.3%

* Reflects increase above existing rates

CONCLUSIONS & RECOMMENDATIONS

- Projected Revenues are **NOT** Sufficient to Meet the Near Term Revenue Requirements
- Revenues Need to Increase by 12.3% In Order to Meet the Projected FY'12 Revenue Requirements.
- Recommend Phasing-In the Rate Increase Over a 3-year Period (FY'10 – 5%, FY'11 – 4% FY'12 – 4%).

COST OF SERVICE ANALYSIS

1. Functionalization of Revenue Requirements
2. Allocation of Functionalized Expenses (Base-Extra Capacity Method)
3. Units of Service (Base-Extra Capacity Method)
4. Determination of Equivalent Number of Meters (Meter Cost)
5. Cost of Service Results
6. COS Results vs. Revenues at Current Rates

COST OF SERVICE RESULTS*

Base Cost – 10/2012	$ 1.27 / Kgal
Extra Capacity Cost	
Maximum Day	$ 78.55 / gpd
Maximum Hour	$ 84.04 / gpd
Customer Costs	
Meters & Services	$ 14.42 / Eq. Meter
Billing & Collection	$ 6.21 / bill

* Based on FY'12 Test Year

CONCLUSIONS & RECOMMENDATIONS

- The Cost of Service Analysis Indicates that the Base Cost of Supplying Water is Approximately $0.10/Mgal Higher than the Existing Water (Usage) Charge.
- Future Rate Adjustments Should Be Applied to Both the Water (Usage) Charge and the Monthly Customer Charge.
- Continue to Monitor Cost of Service and Adjust Rates as Needed.

RATE REVIEW

- Review Existing Rates
- Develop Rate Adjustments
- Typical Bill Comparisons

EXISTING RATES

Customer Charge ($/Month)	Existing Rates*
5/8"	$ 11.40
3/4"	15.21
1"	19.00
1½"	44.69
2"	102.68
3"	159.47
4"	282.42
8"	524.72
10"x12"x8"	815.98
Water Charge ($/Mgal)	$ 1.07

* Reflects Monthly Customer Charges previously recommended by C&A effective 10/1/08

PROPOSED RATE ADJUSTMENTS

- Existing Rate Structures are Reasonable.
- Cost of Service Study Indicated that the Base Cost of Providing Water Is $.10/Mgal Greater than the Existing Water(Usage) Charge.
- Recommend that Future Rate Adjustments be Applied to Both the Monthly Water (Usage) Charge and the Monthly Customer Charge.

PROPOSED RATES

Customer Charge ($/Month)	Proposed Rates*
5/8"	$ 11.40
3/4"	15.21
1"	19.00
1½"	44.69
2"	102.68
3"	159.47
4"	282.42
8"	524.72
10"x12"x8"	815.98
Water Charge ($/Mgal)	$ 1.27

* Effective 11/1/12

RESIDENTIAL BILL COMPARISON

Municipality	Amount(1)
Township of Grosse Ile (9/1/11)	$ 47.92
City of Trenton (7/1/11)	23.18
City of Taylor (7/1/11)	22.85
City of Riverview (9/1/10)	23.15
City of Lincoln Park (7/1/11)	25.22
City of Wyandotte (10/1/11)	**19.02**
City of Wyandotte (10/1/09)	**18.42**
City of Allen Park (7/1/09)	17.15

(1) Reflects a monthly bill using 6,000 gallons(800 cu ft.) and 5/8" meter

COMMERCIAL BILL COMPARISON

Municipality	Amount(1)
Township of Grosse Ile (9/1/11)	$ 138.70
City of Trenton (7/1/11)	108.45
City of Riverview (9/1/10)	79.25
City of Lincoln Park (7/1/11)	94.59
City of Taylor (7/1/11)	74.33
City of Allen Park (7/1/09)	82.25
City of Wyandotte (10/1/11)	**39.98**
City of Wyandotte (10/1/10)	**37.73**

(1) Reflects a monthly bill using 22,500 gallons(3,000 cu ft.) and 5/8" meter

INDUSTRIAL BILL COMPARISON

Municipality	Amount(1)
Township of Grosse Ile (9/1/11)	$ 1,835.95
City of Trenton (7/1/11)	1,084.50
City of Riverview (9/1/10)	772.39
City of Taylor (7/1/11)	720.72
City of Allen Park (7/1/09)	818.30
City of Wyandotte (10/1/11)	**388.43**
City of Wyandotte (10/1/09)	**366.93**

(1) Reflects a monthly bill using 225,000 gallons(30,000 cu ft.) and 2" meter

SUMMARY

- Projected Revenues are **NOT** Sufficient to Meet the Near Term Revenue Requirements
- Revenues Need to Increase by 12.3% In Order to Meet the Projected FY'12 Revenue Requirements.
- Recommend Phasing-In the Rate Increase Over a 3-year Period (FY'10 – 5%, FY'11 – 4% FY'12 – 4%).

SUMMARY(Cont.)

- Proposed Rate Adjustments Should Continue to Move Revenue Distribution Towards Cost of Service Results.
- Update the Water Rate Review Prior to FY'12 to Determine the Need for Additional Water Rate Adjustments.

City of Wyandotte, Michigan

DEPARTMENT OF MUNICIPAL SERVICE

3200 Biddle Avenue

(734) 324-7100

Water Rates

As Approved by

The

Municipal Service Commission

Effective November 1, 2012

Rates Subject to Change by Order of the

Municipal Service Commission

Amended for Sewage Disposal Fee Increase July 1, 2012

Water Service Rate

Applicable to all metered industrial, commercial and residential services.

Meter Size	Monthly Customer Charge
5/8"	$ 11.40
¾"	$ 15.21
1"	$ 19.00
1 ½"	$ 44.69
2"	$ 102.68
3"	$ 159.47
4"	$ 282.42
6"	$ 524.72
10"X12"X6"	$ 615.98

Water Charge

$1.35 per 1,000 gallons for all gallons used.

Minimum Bill

Customer Charge.

Penalty Charge

5% of water charge and customer charge if entire bill is not paid by due date.

Sewage Disposal Service Charge

The Department of Municipal Service collects a sewage disposal fee based on metered water consumption. This fee is collected on behalf of Wayne County and effective July 1, 2012 is 2.797 for each thousand gallons of water used. In addition to this basic fee for sewage disposal charges, the County also administers additional fees for surveillance and compatible pollutant discharges by certain industrial or commercial water users.

Flat Rate Water Service

Applicable to all services from the date service is tapped to the day the meter is installed.

Service Line Size	Daily Charge
1"	$ .50
1 ½"	$1.00
2"	$2.00

Water Service Rate for Use of Hydrants

Applicable to contractors for construction work only. A non-refundable charge, payable in advance, of $35.00 per hydrant is required before any hydrant can be used. The charge to use the hydrant will be $5.00 per day. Any damage caused to the hydrants will be repaired by the Water Department and the cost of said work will be billed to the applicant.

Hydrants must be pumped dry from November 1 through March 31, if not a $35.00 charge will be assessed. Thawing a hydrant will be billed at time and materials.

Water Service Lines Tap Size

1"	-	$2,000.00
1 ½" and 2"	-	Time and materials Minimum charge $2,000.00
2 ½" and larger	-	Time and materials Estimates will be furnished upon request

From December 1 to March 31, inclusive, an additional 10% will be charged.

Service Lines

Service lines installed by the Water Department will be carried from the water main to the property line. These service lines from the water main to the property line will be repaired by the Water Department without charge to the customer.

General Information

The Department of Municipal Service shall maintain all water meters and supply all necessary repair parts for regular wear and depreciation.

Water meters damaged by frost, hot water or other causes by customer's neglect will be repaired by the Department of Municipal Service and billed to the property owner at cost of said work.

The property owner shall be responsible for payment of water bills and charges in accordance with applicable sections of the City Charter and in accordance with rules and regulations established from time to time by the Department of Municipal Service.

The Department of Municipal Service shall have the right of access at all reasonable times to read its meter, repair its equipment or inspect its equipment.

The length of time between meter readings shall be approximately one (1) month for commercial meters and residential meters. If meter readers are unable to obtain a reading of the customer's meter during normal reading cycles, the water consumption for the month shall be estimated for billing purposes and differences between the estimated consumption and actual consumption will be adjusted on succeeding bill.

Bills may be paid at the Department's general offices at 3131 Biddle Avenue. Customers may elect to utilize the Department's Automatic Bill Payment Plan.

CITY OF WYANDOTTE
REQUEST FOR COUNCIL ACTION

MEETING DATE: October 1, 2012 **AGENDA ITEM # 10**

ITEM: Department of Recreation Rate Increases

PRESENTER: James R. Knopp, Superintendent of Recreation

INDIVIDUALS IN ATTENDANCE: Justin Lanagan, Administrative Trainee

BACKGROUND: Rate increases necessary to cover raising costs.

STRATEGIC PLAN/GOALS: Help attain the anticipated revenue for each Department for FY13

ACTION REQUESTED: Adopt a resolution concurring with the Superintendent of Recreation and Administrative Trainee recommendation to raise various rates

BUDGET IMPLICATIONS & ACCOUNT NUMBER: N/A

IMPLEMENTATION PLAN: The resolutions and all necessary documents will be forwarded to the Recreation Commission.

COMMISSION RECOMMENDATION: At their June 19, 2012 meeting , the Recreation Commission approved these rate increases

CITY ADMINISTRATOR'S RECOMMENDATION: Concur

LEGAL COUNSEL'S RECOMMENDATION: NA

MAYOR'S RECOMMENDATION:

LIST OF ATTACHMENTS: Mayor & Council Letter

RESOLUTION

Wyandotte, Michigan
Date: October 1, 2012

RESOLUTION by Councilman_____

BE IT RESOLVED by the City Council that Council concurs with the Superintendent of Recreation, Administrative Trainee and the Recreation Commission in the following resolution.

A resolution authorizing the adoption of various FY13 rate increases within the Recreation Department, Yack Arena and Wyandotte Shores Golf Course

I move the adoption of the foregoing resolution.

MOTION by

Councilmen_____

Supported by Councilman_____

YEAS	COUNCIL	NAYS
	Browning	
	DeSana	
	Fricke	
	Galeski	
	Sabuda	
	Stec	

OFFICIALS

William R. Griggs
CITY CLERK

Andrew Swiecki
CITY TREASURER

Colleen A. Keehn
CITY ASSESSOR

MAYOR
Joseph Peterson

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Leonard T. Sabuda
Lawrence Stec

JAMES R. KNOPP, SUPERINTENDENT OF RECREATION
RECREATION, LEISURE & CULTURE DEPARTMENT
jknopp@wyan.org

September 26, 2012

Honorable Mayor Joseph Peterson
And City Council

Dear Mayor Peterson and Council Members:

At the Recreation Commission meeting of June 19, 2012, the Commission unanimously approved the listed rate increases as recommended by the Superintendent of Recreation and the Administrative Trainee. The recommended increases are as follows:

	FY12	FY13
Slo-Pitch Softball	Various Rates	Increase $25 per team Covers increase in balls & awards expense
Yack Arena Ice Time	$215	$220 Increase in utilities & product expense
Yack Arena Building Rental	$1,250	$1,300 Increase in utilities & product expense
Yack Arena Kitchen Rental	$300	$320 Increase in utilities
Table Rental	$5	$5 – No increase
Table Rental w/setup	$5	$6 – Cover cost of labor
Chair Rental	$1	$1 – No increase
Chair Rental w/setup	$1	$1.25 – Cover cost of labor
WSGC League Golf Rates	$12	$13 – Brings us closer to rates at other courses.
Pre & Post Season Golf Rates	$5	$8 - Keeps us in line w/rates at other courses
Yack Arena Extra Supervision/Maintenance	Variable	$15 per hr per employee – Set Rate

Your concurrence with these increases would be greatly appreciated.

Sincerely yours,

James R. Knopp
Superintendent of Recreation

Justin N. Lanagan
Administrative Trainee

Attachment: Commission Minutes June 19, 2012

WYANDOTTE RECREATION COMMISSION

A meeting of the Wyandotte Recreation Commission was called to order on Tuesday, June 19, 2012, at 5 pm in the Harold Popp Warming Room at the Benjamin F. Yack Center.

Members Present:
President Lori Shiels
Vice President Dale Brennan
Secretary Ken Prygoski
Commissioner Wally Merritt
Commissioner Margaret Loya

Also Present:
Sup't of Recreation James R. Knopp
Administrative Trainee Justin Lanagan
Recreation Technician Theresa Jamula

Persons in the Audience:
George Campbell
Joe Bielawski
James Howard
Charles Castle
Ron Jaworski
Dale Straub
Thomas Clarkson
Patrick Tardiff
Woody Tardiff
Mike Coogan
Steve Oborne

Commissioner Merritt stated during roll call that he would have to leave the meeting at 6 pm.

A motion was made by Commissioner Loya and supported by Commissioner Prygoski to approve the minutes of the previous meeting as submitted via e-mail.

At this time, Wyandotte Municipal Boat Ramp Operator George Campbell appealed to the Commission to lower the lease payment on his 2011-2012 Boat Ramp Contract, due to a vast decline in usage and revenue. He stated that he is working numerous hours each week and losing money each month. Mr. Campbell repeated the 2011 conversations he had with the previous Superintendent regarding changing the contract. There was discussion regarding the utilities. Mr. Campbell distributed a revenue and attendance report. Commissioner Merritt inquired as to a financial report of the minnows, lures, concessions, etc. The ramp is open all year round. It was discussed about turning off all the utilities during the winter months to save money. Commissioner Merritt inquired of Mr. Campbell why did he sign the lease if he was unhappy about the fee and why did he not bring his concerns to the Commission right then, rather than wait a year. He signed the contract because it was already April and the boating season was starting. Mr. Campbell stated that he wrote letters to the Mayor and Council, and he also stated that he showed the boat ramp financial books to Todd Drysdale. Superintendent Knopp stated that the Commission does not have the authority to void a contract that was approved by the City Council and signed by the Mayor and City Clerk. The Commission could make a recommendation to the Council if they so desired. After listening to Mr. Campbell's attendance and revenue reports, his proposal to lower the monthly lease payment and discussing the various issues regarding neighboring sites, each Commissioner will make a decision and report back to Superintendent Knopp within one week. Mr. Joe Bielawski stated that there giant holes where the boats are launched. They have called numerous times to report these conditions to the DPS but the holes still exist. (The DPS has been so notified.)

Tom Clarkson, spokesperson for the Seaway Boat Club Golf League, stated that they felt that their league was being overcharged at the Golf Course. The official golf rate for a league is $12/walking & $17/Golf. They stated that the majority of their golfers were seniors (16) and that they should get a lower rate - $15, a difference of $2 per golfer per week. (A regular non-league golfer pays $20 with a cart.) It was the Commission's decision since the inception of the WSGC, that there was never any price adjustment for Senior Citizens who participate in leagues during prime time evening hours. When you play as a league, golfers are guaranteed a specific day & time rather than walking in or calling for t-time availability. Administrative Trainee Lanagan contacted neighboring courses and was informed that at Taylor Meadows Seniors receive a discount M-T-W before noon (Rate $17 with cart) and at Riverview Highlands the Senior rate is $15 M thru F before 3 pm. (The Seaway League plays golf on Mondays at 4 pm which is a prime time golfing slot.)

Steve Oborne, President of the Wyandotte Braves Baseball Association, appeared before the Commission to discuss various issues regarding the condition of the ball fields and the possibility of replacing the infield slag with a new product which is baked clay, raw clay and sand. He also gave an update on the Braves. Mr. Oborne will be presenting a letter to the Commission for the July meeting.

CORRESPONDENCE:
A letter was received from the Community Foundation for Southeast Michigan, thanking Mr. Knopp for submitting the 2011 final report on the Access to Recreation Fund grant which was used to construct the Accessible Kayak Launch.

Thank you cards were received from the Wyandotte Music Boosters and the St. Joseph School of Trenton for the donation of golf gift certificates for their fundraisers.

INTERDEPARTMENTAL:
None

COUNCIL RESOLUTIONS:
Council Resolution dated May 22, 2012, granting permission to Karen & Ryan Williamson to allow animals (Petting Farm) in the Jaycee Park on Saturday June 23 for a birthday party. This was granted on a one-time basis.

REPORTS AND MINUTES:
Account Breakdowns: Pay Periods Ending May 2, 16, & 30, 2012
Tele-Care & Senior Van Report – May 2012
SFC Financial Report as of April 30 & May 31, 2012 – As of May 31, 2012: Balance $4,892.34
Golf Course Report – May 2012
Arena Report – May 2012

SPECIAL ORDER
Superintendent Knopp addressed the following issues with the Commission:

- Arena Foreman Brad Schmidt is currently on a medical leave due to having eye surgery and is expected to return to work in early July.
- Superintendent Knopp stated that the Golf Course is in dire need of purchasing a new trim/surround mower. For the past five weeks, they have been using demo models to cut the grass. J. W. Turf, Inc. of Wixom, has a 2009 John Deere trim/surround mower with only 80 usage hours that they would sell of $18,842 - $700-750 for a trade-in. If purchased new,

this mower would be $31,000. This offer will expire June 29, 2012. Prior to purchasing this item, it would be inspected by DPS head mechanic Mark Engel. A motion was made by Commissioner Prygoski and supported by Commissioner Loya to direct Superintendent Knopp to send a letter to the City Administrator Drysdale to request purchasing this needed item. (FYI This mower would replace the current mower which was purchased in the mid 90's.)

- At this time, Superintendent Knopp reviewed with the Commission the proposed FY13 Recreation, Pool, Arena and Golf Budgets. Each department budget was reviewed in great detail. Superintendent Knopp presented his Capital Improvement Projects along with the priority listing and a 5 year project cost summary. A motion was made by Commissioner Prygoski and supported by Commissioner Brennan to approve the proposed FY13 budget.

- Superintendent Knopp submitted the proposed increases effective October 1, 2012:

  Recreation
  Slo-Pitch ..... $25 per team

  Arena
  Ice Time ..... $5 per hour
  Building Rental..... $50 per day
  Kitchen Rental ..... $20 per day
  Tables ..... $5 rental (same)
  ..... $6 rental & set-up
  Chairs ..... $1 rental (same)
  ..... $1.25 rental & set-up
  Figure Skating Lessons... ..... $3 per session
  Extra Supervision &
  Cleanup during event..... $15 per hour

  Golf Course
  League Rates ..... $1/round to $13
  Pre & Post Season ..... $3/Round to $8
  Chairs ..... $1.25/Chair (same as Yack Arena)
  Tables ..... $6.00/Table (same as Yack Arena)

A motion was made by Commissioner Brennan and supported by Commissioner Loya to approve the submitted rate increases.

There being no further business to discuss, a motion was made by Commissioner Prygoski and supported by Commissioner Brennan to adjourn the meeting at 7:35 pm.

Minutes Prepared by
Theresa Jamula
Theresa Jamula
Recreation Technician

Authorized by
James Knopp
James R. Knopp
Superintendent of Recreation

Wyandotte Recreation Commission Meetings 2nd Tuesday @ 5:00 pm @ Yack Arena
** Meeting changed to the 3rd Tuesday!

July 17, 2012**
August 14, 2012
September 11, 2012
November 13, 2012
December 11, 2012

CITY OF WYANDOTTE
REQUEST FOR COUNCIL ACTION

MEETING DATE: October 1, 2012 **AGENDA ITEM # 11**

ITEM: Department of Recreation Yack Arena Rental Contract

PRESENTER: James R. Knopp, Superintendent of Recreation

INDIVIDUALS IN ATTENDANCE: Justin Lanagan, Administrative Trainee

BACKGROUND: Annual John Paul II Spring Fling

STRATEGIC PLAN/GOALS:

ACTION REQUESTED: Adopt a resolution concurring with the Superintendent of Recreation and Administrative Trainee recommendation to approve this rental contract.

BUDGET IMPLICATIONS & ACCOUNT NUMBER: N/A

IMPLEMENTATION PLAN: The resolutions and all necessary documents will be forwarded to the Permittee.

COMMISSION RECOMMENDATION: N/A

CITY ADMINISTRATOR'S RECOMMENDATION: Concur

LEGAL COUNSEL'S RECOMMENDATION: William A. Look reviewed and approves this Contract and Hold Harmless Agreement.

MAYOR'S RECOMMENDATION:

LIST OF ATTACHMENTS: Three Rental Contracts & Three Hold Harmless

RESOLUTION

Wyandotte, Michigan
Date: October 1, 2012

RESOLUTION by Councilman_____

BE IT RESOLVED by the City Council that Council concurs with the Superintendent of Recreation and Administrative Trainee in the following resolution.

Resolved by the City Council that Council hereby approves the Benjamin F. Yack Recreation Center Rental Contract and Hold Harmless Agreement for the John Paul II Catholic School Spring Fling Festival to be held at the Benjamin F. Yack Recreation Center on May 10 & 11, 2013, as submitted by the Superintendent of Recreation and Administrative Trainee, and authorizes the Mayor and City Clerk to sign said Contracts.

I move the adoption of the foregoing resolution.

MOTION by

Councilmen_____

Supported by
Councilman_____

YEAS	COUNCIL	NAYS
	Browning	
	DeSana	
	Fricke	
	Galeski	
	Sabuda	
	Stec	

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CITY CLERK

Andrew Swiecki
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Lawrence Stec

JAMES R. KNOPP, SUPERINTENDENT OF RECREATION
RECREATION, LEISURE & CULTURE DEPARTMENT
jknopp@wyan.org

September 26, 2012

Honorable Mayor Joseph Peterson
And City Council
City of Wyandotte

Dear Mayor Peterson and Council Members:

Please find attached three Rental Contracts and Hold Harmless Agreements for the John Paul II Catholic School Spring Fling Festival to be held at the Benjamin F. Yack Recreation Center on May 10 & 11, 2013. Insurance certificates for this event will be submitted to the City Clerk's Office 30 days prior.

All documents have been reviewed and approved by the Department of Legal Affairs.

Your approval of this event contract would be greatly appreciated.

Sincerely yours,

James R. Knopp
Superintendent of Recreation

Justin N. Lanagan
Administrative Trainee

Attachments

BENJAMIN F. YACK RECREATION CENTER RENTAL CONTRACT
City of Wyandotte, Michigan

This permit, granted this_____ day of _____20___, by the City of Wyandotte, a municipal corporation of the State of Michigan, herein called the "Owner", to John Paul II Catholic School, hereinafter called the ***"Permittee."***

Witnesseth:

In consideration of the fees and covenants hereinafter expressed, the Owner has agreed to grant and hereby does grant a Permit to the Permittee and Permittee has agreed to accept and hereby does accept the Permit for the use of the Benjamin F. Yack Recreation Center, hereinafter called the "Building", located 3131 Third Street in the City of Wyandotte, Michigan on the following terms and conditions:

(1) This permit shall prevail in accordance with the following schedule:

Spring Fling May 10 & 11, 2013

Building Rental is $1,300.00 per day, plus all associated rental costs as per enclosed rental rate form. Rate is based on a "four wall" policy and includes air – conditioning, normal janitorial service, heat, lighting, water and restroom facilities.

All groups using the facility must supply:

- A Certificate of Insurance in accordance with **General Conditions** Item 5 – A.
- A copy of the Liability Insurance naming the CITY OF WYANDOTTE as ADDITIONAL INSURED must be on file in the City Clerk's Office one month prior to event. (This is not a means to relieve the City of liability based upon the sole negligent acts of its agents or employees, but to make the City whole from any liability arising from the use of the City facility by an outside organization.)
- All state, county or local licenses or permits necessary to hold the event, such as: Liquor, food, etc., are the responsibility of the group and must be obtained and displayed as required by law.
- Security people are to be agreeable with the Owner.
- One day to be allowed for moving in and one day for moving out, from 8 AM to 5 PM, any additional time needed will be charged at hourly rate for on-duty supervisor.
- $250 Security Deposit is non-refundable in case of cancellation by Permittee.
  Security Deposit to accompany this Contract. (Deposit is covered by $250 – owed to Permittee by previous Recreation Administration.)
- **Special Arrangements**: Any additional arrangements must be made in advance with the Building Management. These additional arrangements may be subject to an additional fee.

(2) Upon the signing of this Contract, the Permittee agrees to pay the sum of $1,300.00 per day plus all associated rental costs payable in full upon completion of the event.

(3) The Building shall be used by the Permittee for the following sole and exclusive purpose and for no other purpose whatsoever, viz John Paul II Spring Fling May 10 & 11, 2013.

(4) In further consideration of the fees and covenants herein expressed, the Owner agrees to furnish the following without additional charge to Permittee:

A. General room lighting, heat and ventilation appropriate to the season, toilet facilities and other sanitary accommodations with the necessary equipment, material, supplies, labor and supervision for same.
B. Janitorial service in aisles and open spaces including one daily sweeping.
C. Use of installed public address equipment is included, but operator for same is not.

D. Use of lobbies, vestibules, hallways, box-office, lounges and other public rooms and facilities appropriate to the exclusive use of that part of the Building above described, during the hours and on the dates listed in Paragraph (1) above.

E. Office space for use by show management.

(5) The General Conditions and Rules and Regulations:

A. Permittee shall assume all risk of operation and shall indemnify Owner for any loss or damage occasioned to Owner or to any person or property, caused by any act of Permittee, its agents or employees in the use of any of the premises by Permittee, its agents or employees in the conduct of Permittee's business. Permittee shall procure at its own cost and expense Workmen's Compensation as required by law and such public liability and property damage insurance as will protect Permittee, Owner and its officers and employees from any claims for damage to property, including Owner's property, and for personal injuries, including death, which may arise from the use of the premises by Permittee. A duplicate copy of all insurance policies or certificates of insurance must be furnished Owner with the premiums paid before the start of any operations by Permittee. All policies shall be subject to the approval of Owners for adequacy and form of protection and name owner as an additional insured party. All policies shall contain an endorsement providing for furnishing owner ten (10) days written notice of termination of insurance for any cause.

Permittee shall provide insurance ***at least 30 days in advance of the event*** as follows, ***naming the City of Wyandotte as Additional Insured***:

A. Workmen's Compensation Insurance as required by the laws of the State of Michigan;

B. Public Liability with a minimum of $ 1,000,000.00 for each occurrence;

C. Property Damage with a minimum of $ 1,000,000.00 for each occurrence;

D. Dram Shop and Alcohol Liability coverage with minimum of $1,000,000.00.

B. The Permittee shall indemnify and save harmless the Owner from and against all claims, suits, actions and damages, and/ or causes of action arising during the period of use and occupancy by the Permittee and for the term of this Permit for any personal injury, loss of life and/or damages to property, including Owner's property, sustained in or about the premises or that portion of the Building and improvements thereof, or appurtenances thereto, used by the Permittee, occurring during such time as the Permittee may be using or renting said premises, and from and against all costs, legal fees, expenses and liabilities in and about any such claim or the defense of any action or proceedings thereon, and from and against any order, judgment and/or decrees which may be entered therein when any of the aforesaid are caused or occasioned by negligence of the Permittee, its agents sub-contractors or employees, or persons attending the Building by reason of the use thereof by the Permittee.

C. Permittee agrees not to use nor to permit any person to use in any manner whatsoever that part of the premises used by Permittee in its operations hereunder for any illegal purpose or for any purpose in violation of any Federal, State or municipal law, ordinance, rule, order or regulation or of any reasonable rule or regulation of Owner now in effect or hereafter enacted or adopted and will protect, indemnify and forever save and keep harmless Owner and the individual representatives thereof and their agents from and against any damage, penalty, fine, judgment, expense or charge suffered, imposed, assessed or incurred for any violation or breach of any law, ordinance, reasonable rule, order or regulation occasioned by any act, neglect or omission of Permittee, or any employee, person or occupant in Permittee's employ or control for the time being on said premises and engaged in the Permittee's operations hereunder.

D. The Permittee agrees to furnish a sufficient number of ushers, ticket takers, special policemen, doorkeepers or other employees to properly handle and supervise the conduct of all persons in attendance at functions conducted by the Permittee, and to adopt, promulgate and enforce rules and regulations governing the conduct of such attendants. It is further understood and agreed that such attendants shall for all purposes be the agents of the Permittee.

E. The Permittee shall furnish all service required to conduct its business in the Building. In the event of any violation or in case Owner or its authorized representative shall deem any conduct on the part of Permittee or any person or occupant on Permittee's employ or control for the time being on the premises (and engaged in the operation thereof) to be objectionable or improper, the responsibility for such conduct shall be deemed prima facie to be that of the Permittee. Permittee will, at the written request of Owner or its

authorized representative, have removed from the premises any employee whom owner or its representative consider detrimental to the best interests of Owner or the public using the Premises.

F. The Permittee agrees not to assign, transfer, convey, sublet or otherwise dispose of this Permit or its right, title or interest therein, to any other person, company or corporation without the previous consent in writing of the Owner.

G. The Permittee shall have the complete control of so much of the premises exclusively granted to it during the periods aforesaid, and of admission to the portion of such premises during such periods subject to the requirements of any City Ordinances or State Laws including the Yack Arena Rules and Regulations.

H. The Permittee agrees to conform to the Rules and Regulations of the Yack Arena for the use of said premises in effect when this Permit is granted or hereafter enacted or adopted, and a copy of any such Rules and Regulations in effect at the signing of this Permit shall become a part hereof.

I. Upon the breach of any term, covenant or condition of this Permit, or of any rule or regulation governing the use of the premises, this Permit, at the option of the Owner, upon notice to the Permittee, shall terminate with the same force and effect as if the original term has come to an end.

J. Upon termination of this Permit or its prior cancellation, Permittee shall remove from the premises such property and equipment as Permittee may have provided for its operations. In the event that the Permittee fails to vacate the premises upon such termination, the Owner may, in its discretion, remove from the premises at the expense of the Permittee, all goods, wares and merchandise, and property of any and all kinds and descriptions which may then be occupying the portion of the Building on which the Permit has terminated and Owner shall not be liable for any damages or loss of such goods, wares, merchandise or other property which may be sustained either by reason of such removal or of the place to which it may be removed, and Owner is hereby expressly released from any and all such claims for damages of whatsoever kind or nature.

K. The Owner may terminate any assignment of space to Permittee if, in the judgment of the owner the occupancy or entertainment would in any respect be detrimental to the best interests of the City of Wyandotte or the Yack Arena. The City of Wyandotte shall not be responsible for any loss or damage occasioned to Permittee, its agents, and employees or other by reason of such termination.

L. Notwithstanding anything in this Permit contained, it is further mutually agreed that in the event of any default, non-performance or breach of the provisions of this permit on the part of the Owner, the liability of the Owner therefore shall be and is hereby limited solely to the repayment of the amount of the fee or portion thereof paid by the Permittee for the particular day, occasion or time when said default, non-performance or breach occurs.

M. It is agreed that the premises may be inspected at any time by authorized representatives of the Owner, or by a representative of the Department of Health, Fire Department, and Police Department, Department of Buildings and Safety Engineering and any other law enforcing agencies. Permittee shall obtain at its own cost and expense such licenses and permits as may be required by law to conduct its business in the building. Permittee agrees that if notified by the Owner, or its representatives, that the condition of any part of the premises occupied by Permittee of the facilities thereof is unsatisfactory; it will immediately remedy the condition.

N. Permittee hereby waives any and all claims for compensation for any and all losses or damage sustained by reason of any lawful action by any public agency or official in the exercise of this Permit. Any such action shall not relieve Permittee from any obligation hereunder, even if it may result in an interruption of Permittee's activities.

O. Permittee shall not make any alterations in the premises without written approval of the Owner.

P. Permittee shall not conduct within or upon said premises any other operations except those herein described. Permittee agrees not to interfere with any other Permittee of Owner or any employee's of any other Permittee.

Q. Permittee acknowledges that Owner has not made or caused to be made any representations of any nature whatsoever in connection with this Permit except as herein stated, and in particular has made no representations dealing with such matters as anticipated revenue to Permittee or related issues. Permittee acknowledges that it has accepted this Permit as the result solely of its own business judgment and not as a result of any representations whatsoever, direct or indirect made by Owner, its agents or employees, except as herein stated.

R. Permittee shall not advertise any of its activities in the Building in any manner objectionable to the Owner.

S. Permittee agrees not to discriminate in its use of the premises among law-abiding members of the public.

T. The policy of the Owner is to serve the public in the best possible manner and Permittee agrees that both it and its employee's and agents shall at all times cooperate to this end.

U. No decorations shall be placed in or on the Building, walls or corridors, nor shall any advertising signs be supported by nails, tack, screws or adhesive tape on walls or woodwork, without the consent and approval of the Owner and all decorations, sets, scenery or other properties shall be of flame-proofed material and conform with requirements of the Fire Department.

V. The custodian of the Building, watchmen and maintenance crew of the Owner shall have free access at all times to all space occupied by Permittee.

W. The premises shall be accepted by Permittee as is and the cost of any additional equipment and fixtures shall be the responsibility of the Permittee.

X. If the time of Owner's employees is required by the Permittee in the exercise of this Permit, other than as specified herein, it shall be paid for by the Permittee at rates then in effect.

Y. Except as provided for by Owner, this Permit does not authorize Permittee to furnish liquid refreshments or food in any part of the Building, or to operate checkrooms or other concessions.

Z. The Owner shall not be responsible for payment of any Federal, State or local taxes, nor for any loss by theft or otherwise, damage by accident, fire, riot or strike, action of the elements or any other damage to machinery, equipment, paraphernalia, costumes, clothing, trunks, exhibit material, scenery, music, musical instruments or cases for same, and other property of the Permittee or its agents or employees or the patrons of the Permittee.

AA. Should the premises or any part thereof be destroyed or injured by fire or the elements, mob, riot, war or civil commotion, or any part of the premises be interfered with by strikes or other causes, prior to or during the time for which the use of said premises is granted, the Owner may, in the exercise of its discretion, terminate the Permit, in which event the Owner shall return to the Permittee any payments that have been made for the period of the permit prevented or interrupted and the Permittee hereby expressly waives any claim for damage or compensation should the Permit be so terminated. The Owner shall in no way be liable for any personal property or other damage, inconvenience or intervention to the Permittee arising from or on account of strikes, lockouts or other labor difficulties, or any force majeure event.

BB. Amounts and contents of Permittee's display of advertising material at the Building shall be at the discretion of the Owner or its authorized representative.

CC. The Permittee further agrees to turn the demised premises back to the Owner in the same condition as when it first occupied same, natural wear and tear excepted. Permittee is responsible to immediately reimburse owner for any damages caused to the premises.

DD. Should any questions arise as to the proper interpretation of the terms and conditions of this Permit, the decision of the Owner shall be final.

EE. It is expressly understood and agreed by between the parties hereto that the Employees, Representatives, Recreation Commissioners, and the Owners and its officers and agents are acting in a representative capacity and not for their own benefit and that neither the Permittee nor any occupant of the demised premises shall have any claim against them collectively or individually in any event whatsoever.

FF. All notices and orders given to the Permittee may be served by mailing the same to the Permittee at the address hereinbefore set forth or by delivering a copy thereof to the Permittee in person, or by leaving it at its place of business in the demised premises with any person then in charge of the same.

GG. All rights remedies of the Owner shall be cumulative and none shall exclude any other right or remedy allowed by law.

HH. There are not agreements not expressly covered herein, and nothing is included unless specified.

II. Inspection of Building will occur prior to the rental, with a complete report of condition of building taken into account.

JJ. Permittee shall execute an agreement which indemnifies and holds the City of Wyandotte, its officers, agents and employees harmless from all damages, claims, liability and responsibility whatever for injury (including death) to persons and for any damages to any property owned by the City of Wyandotte or others arising out of Permittee's use of the Yack Arena.

KK. Permittee, its members, agents, employees, independent contractors and volunteers promise to comply with all state laws, regulations, and local ordinances with regards to their use of the Yack Arena. If it becomes

necessary for the owner to commence legal proceedings against Permittee to enforce the terms of the permit of the General Conditions, Permittee shall be responsible to fully reimburse owner all of owner's attorney fees and court costs.

LL. Permittee shall abide by the Wayne County Clean Indoor Air Regulation as amended, which was originally adopted on March 17, 2005, and requires Wayne County (excluding the City of Detroit) public and private worksites to create and implement a smoke-free policy that prohibits smoking in enclosed areas. Public Health Code, Act 368 states in MCL333, Section 12605, a smoking area may be designated by the state or local government agencies or the person who owns or operates a public place except in a public building in which smoking is prohibited by law.

In Witness Whereof, the parties hereto have caused these presents to be signed by their duly authorized officers, the day and year first above written.

PERMITTEE:
The undersigned represents he/she is authorized to sign this agreement on behalf of the Permittee

By

Richard T. Malechuk
Signature

RICHARD T. MALECHUK
Printed Name

CHAIRPERSON
Title or Position if signing on behalf of the Permittee

OWNER:
CITY OF WYANDOTTE,
a municipal corporation of the State of Michigan

By

_____
Mayor Joseph Peterson

_____
City Clerk William R. Griggs

I hereby certify that the within document is correct as to legality and form, subject to receipt of proper insurance.

Name William R Sooh
Department of Legal Affairs

BENJAMIN F. YACK RECREATION CENTER

2013 Associated Rental Cost

A ***four-wall policy*** will be used which includes normal electric, water and air-conditioning usage, two meeting rooms, four restrooms, storage rooms, ticket office, sound system, staging with risers, arena supervision and normal building and restroom custodial services (once per day) along with free parking. (Note: All debris must be removed from table tops and chairs stacked on table top each evening for cleaning).

The ***Arena Rental Fee*** per day will be ***$1,300.00 per day***. The Four-Wall Policy includes in this one-day for set up and one day for break-down from 8 AM to 5 PM on non-holidays.

Additional day for set-up or take down non-holiday	$500 per day
Additional day for set-up or take down on holiday	$1,000 per day
Per hour rate for any time after 5 p.m. or on a holiday	$100 per hour

Additional Rental Fees:

Kitchen/Concession Area	$320 per day
Trash Removal (per dumpster)	$ 35 per dumpster
Additional Electrical 110 electric drop	$ 15 per drop
Additional Electrical 220 electrical drop	$ 30 per drop
Table Rental	$5 each
Table Rental & set-up	$6 each
Chair Rental	$1 each
Chair Rental & set-up	$1.25 each
Bleacher – pull out	$100
Pipe and drape set-up	$3 per section

Other Services may be available. These would be at a per hour rate determined by the event:

- Additional set up and breakdown service - TBA
- Additional matrons and supervisor services - $15 per hour
- Ticket seller and usher service - TBA
- Total clean up service - TBA
-

CHANGEABLE MESSAGE SIGNS:

YACK ARENA (3RD & EUREKA)

There is no fee for the advertising on the Yack Arena sign. Basic event information will be put on the sign one week prior to the event by the Yack Arena Staff.

D.D.A. (FORT STREET & EUREKA AVENUE)

If you wish to have your information, graphics and logo displayed (static) on the changeable sign at **Fort Street and Eureka** before your event, return the application and applicable fee to the Wyandotte Recreation Dept. Advertising fee - $10 per week
Maximum 4 weeks. Please allow adequate time for sign data input.

City of Wyandotte D.D.A.

FORT STREET SIGN APPLICATION

Department of Recreation, Leisure & Culture
3131 Third Street, Wyandotte, MI 48192
(734) 324-7295 FAX (734) 324-7296 recreation@wyan.org

As per the Downtown Development Authority, all **Wyandotte** and **Southgate** Non-Profit Organizations, Churches, Veteran's Organizations, etc. will be charged ***$10 per week (or any portion of a week)*** for advertising on the Fort Street Sign. ***We do not accept private business advertising***.

Date: _____

Organization: _____

Submitted by: _____

Phone #_____ Alternate #_____

All advertising information must be submitted in writing to the Recreation Office (Yack Arena) 3131 Third Street, Wyandotte, or City Hall during regular business hours Monday thru Friday 8 am – 5 pm, accompanied by the payment of $10. Submit information below or ***attach your information document/brochure***.
If additional space is needed, please use the reverse side.

Start Date _____ End Date_____

If you would like to provide a graphic (72 dpi = 64x256 jpg preferred), e-mail to recreation@wyan.org. ***Staff reserves the right to use creative judgment and to abbreviate if necessary.***

----------Office Use Only ----------

Amount Paid - $_____ Cash or Check #_____

Date_____

YACK ARENA HOLD HARMLESS AGREEMENT

In consideration of the City of Wyandotte granting permission to: **John Paul II Spring Fling** for the use of the Yack Arena on the following date/dates: May 10 & 11, 2013, the undersigned hereby assumes all risk and liability relating to the use of the Yack Arena, and agrees to hold harmless and indemnify the City of Wyandotte, its officers, agents, and employees from any and all damages, claims, liability and responsibility whatever for injury (including death) to persons and for any damage to any City of Wyandotte property or to property of others arising out of the said use of the Yack Arena, except that the undersigned shall not be liable for any damages, claims for liability that are solely due to the negligence of the City of Wyandotte, its agents and employees or from the existence of a dangerous or defective condition of the Yack Arena.

Except as set forth above, the undersigned further does hereby indemnify, remise, release and forever discharge the City of Wyandotte, its officers, agents and employees from any and all claims, demand, actions, causes of action, damages and liabilities resulting or arising out of, either directly or indirectly, from Permittee's use of the Yack Arena. Furthermore, Permittee will abide by the **NO SMOKING POLICY** during the rental of the Yack Arena.

In addition, the undersigned hereby affirms that there are no violations from a city, county, state or federal agency pending pertaining to your organization/event.

Agreed to this 19 day of Sept, 2012.

The undersigned represents he/she is authorized to sign this agreement on behalf of the Permittee.

EVENT INFORMATION - PRINT

Contact Person: Rick Malechuk

Address: 155 - North Drive

City, State, Zip: Wyandotte, Mich.

Home Phone #: 734-282-8587

Cell Phone #: 734-559-4192

Fax #:

Signature: Rick Malechuk

Title or Position if signing on behalf of the Permittee: Chair Person

I hereby certify that the within document is correct as to legality and form, subject to receipt of proper insurance.

Name: William R. Foot

Department of Legal Affairs

Tj:John Paul II Hold Harmless 2013