

**A REGULAR MEETING**

Of The

**TRAVERSE CITY LIGHT AND POWER BOARD**

Will Be Held On

**TUESDAY, January 24, 2012**

At

**5:15 p.m.**

In The

**COMMISSION CHAMBERS**  
(2<sup>nd</sup> floor, Governmental Center)  
400 Boardman Avenue

Traverse City Light and Power will provide necessary reasonable auxiliary aids and services, such as signers for the hearing impaired and audio tapes of printed materials being considered at the meeting, to individuals with disabilities at the meeting/hearing upon notice to Traverse City Light and Power. Individuals with disabilities requiring auxiliary aids or services should contact the Light and Power Department by writing or calling the following.

Stephanie Tvardek  
Administrative Assistant  
1131 Hastings Street  
Traverse City, MI 49686  
(231) 932-4543

Traverse City Light and Power  
1131 Hastings Street  
Traverse City, MI 49686  
(231) 922-4940

Posting Date: 1-20-12  
4:00 p.m.

## **AGENDA**

### **Pledge of Allegiance**

#### **1. Roll Call**

Recognition of Ralph Soffredine

#### **2. Consent Calendar**

*The purpose of the consent calendar is to expedite business by grouping non-controversial items together to be dealt with by one Board motion without discussion. Any member of the Board, staff or the public may ask that any item on the consent calendar be removed therefrom and placed elsewhere on the agenda for full discussion. Such requests will be automatically respected. If an item is not removed from the consent calendar, the action noted in parentheses on the agenda is approved by a single Board action adopting the consent calendar.*

- a. Consideration of approving minutes of the Regular Meeting of January 10, 2012.

#### **3. Old Business**

None.

#### **4. New Business**

- a. Consideration of Tall Ship license. (Rice)
- b. Presentation of the 2010-2011 Financial Audit. (Arends)
- c. South Side Distribution Substation project authorization. (Rice/Dine)

#### **5. Appointments**

None.

#### **6. Reports and Communications**

- a. From Legal Counsel.
- b. From Staff.
  1. Presentation from MPPA. (Rice/Dave Walters & Amy DeLeeuw, MPPA)
  2. Verbal update re: Kids Creek Commons Neighborhood Association meeting on January 15, 2012. (Rice)
  3. Verbal update re: North Traverse Heights Neighborhood Association meeting on January 26, 2012. (Rice)
- c. From Board.

#### **7. Public Comment**

**TRAVERSE CITY  
LIGHT AND POWER BOARD**

Minutes of Regular Meeting  
Held at 5:15 p.m., Commission Chambers, Governmental Center  
Tuesday, January 10, 2012

**Board Members -**

Present: Barbara Budros, Jim Carruthers, Patrick McGuire, John Snodgrass, John Taylor, Mike Coco

Absent: Linda Johnson

**Ex Officio Member -**

Present: R. Ben Bifoss

**Others:** Ed Rice, W. Peter Doren, Tim Arends, Stephanie Tvardek, Jessica Wheaton, Jim Cooper

The meeting was called to order at 5:15 p.m. by Chairman Coco.

Chairman Coco recognized Jessica Wheaton for her recent graduation from Leadership Grand Traverse.

Chairman Coco added to the agenda TCLP Requests for 2012/2013 from Mayor Michael Estes as New Business item 4(b).

Moved by Carruthers, seconded by Taylor to approve the agenda as amended.

CARRIED unanimously. (Johnson absent)

**Item 2 on the Agenda being Consent Calendar**

Moved by Carruthers, seconded by McGuire, that the following actions, as recommended on the Consent Calendar portion of the Agenda, be approved:

- a. Minutes of the Regular Meeting of December 27, 2011.

CARRIED unanimously. (Johnson absent)

**Item 3 on the Agenda being Old Business**

None.

**Item 4 on the Agenda being New Business**

- 4(a). Consideration of adopting "L&P Customers Care" Program.

The following individuals addressed the Board:

Ed Rice, Executive Director  
Jessica Wheaton, Marketing & Community Relations Coordinator

Moved by Carruthers, seconded by McGuire, that the Light and Power Board adopts the L&P Customers Care Program and authorizes staff to proceed with program implementation.

CARRIED unanimously. (Johnson absent)

**4(b).** Request by Mayor Estes of TCL&P for 2012/2013.

Discussion amongst the Board. No action taken by the Board.

**Item 5 on the Agenda being Appointments**

None.

**Item 6 on the Agenda being Reports and Communications**

A. From Legal Counsel.

None.

B. From Staff.

1. Ed Rice spoke re: underground analysis - converting overhead to underground.
2. Jim Cooper gave an update on Community Solar.
3. Ed Rice and Tim Arends spoke re: the Budget Review Process and possible dates.
4. Jessica Wheaton spoke re: upcoming 100<sup>th</sup> Anniversary Energy Efficiency Contests.

R. Ben Bifoss departed the meeting at 7:08 pm.

5. Jessica Wheaton gave an update on the L&P website.
6. Jessica Wheaton spoke re: Kids Creek Commons Neighborhood Association meeting on January 15, 2012.
7. Jessica Wheaton spoke re: TCL&P Co-hosting the Chamber's Energy & Energy Efficiency Business After Hours event on February 15, 2012.
8. Jessica Wheaton spoke re: upcoming Ticker report on TCL&P's 100<sup>th</sup> Year Anniversary.

C. From Board.

None.

**Item 7 on the Agenda being Public Comment**

No one from the public commented.

There being no objection, Chairman Coco declared the meeting adjourned at 7:18 p.m.

/st

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Edward E. Rice, Secretary  
LIGHT AND POWER BOARD

DRAFT



**TRAVERSE CITY  
LIGHT & POWER**

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**To:** Light & Power Board  
**From:** Edward E. Rice, Executive Director  
**Date:** January 19, 2012  
**Subject:** Traverse Tall Ship Company License

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A handwritten signature in black ink, appearing to be 'EER', located to the right of the 'From:' field.

Attached is information concerning a request by Traverse Tall Ship Company to use the L&P Coal Dock for dockage of the vessel Manitou. Also attached for your consideration is a proposed License, review by MML, and the City Attorney's opinion on L&P Board authority to issue a License at the Coal Dock, and a proposed Resolution declaring the Coal Dock as not necessary for the operation of the Light & Power Department for the term of the proposed license.

As discussed at a recent board meeting, L&P Administration supports the concept of allowing the Tall Ship Company to utilize the Coal Dock for dockage of the Manitou as being in the best interest of L&P and the community. As the utility has no current need for the property, this License would provide some income to the utility while providing access to West Bay through this idle property.

In a tour of the site with L&P's insurance company, MML's opinion is that this proposal would not negatively affect L&P's liability. In addition, management does not believe there are any environmental issues with allowing the public to enter the site.

While the City Commission previously authorized a Public Wharves Ordinance that allows for L&P to issue dockage licenses, and L&P previously secured a Bottomlands Lease with MDEQ for that purpose, the City Attorney's opinion is that both the L&P Board and City Commission must certify that the property is not necessary for the operation of the Light & Power Department. Attached is a Resolution for your consideration that, with your approval, will be submitted to the City Commission for their consideration.

If the Board is in agreement with staff's recommendation to approve a Resolution to declare the Coal Dock as not currently necessary for the operation of the Light & Power Department; and further, agrees that L&P should issue a License to Traverse Tall Ship Company, the following motion would be appropriate:

**MOVED BY \_\_\_\_\_, SECONDED BY \_\_\_\_\_,**

**THAT THE BOARD ADOPTS THE RESOLUTION CERTIFYING LIMITED LICENSE INTEREST IN THE COAL DOCK TO BE SURPLUS AND WHICH APPROVES THE LICENSE AGREEMENT WITH TRAVERSE TALL SHIP COMPANY, LLC; SUBJECT TO THE CITY COMMISSION CONCURRING IN THE CERTIFICATION OF SURPLUS STATUS.**

## TRAVERSE TALL SHIP COMPANY, LLC DOCKAGE REQUEST

After nearly 25 years of continuous operation in Traverse City, Traverse Tall Ship Company, LLC (TTSC) has been placed in the perilous position of losing our base of operations, including shore side facilities and our dock. If we are not able to secure local long term dockage for our public sailing operation we will be forced to leave the Traverse area or be driven out of business. Traverse City is our home and we strongly feel that our tall ship, *Manitou*, is an icon of this town and a great benefit to this area. Its loss would greatly reduce the ability of the general public to access Grand Traverse Bay. Therefore, we submit this dockage proposal to Traverse City Light & Power (TCLP) in the hope that we can continue our long tradition of tall ship sailing in the Traverse area. A partnership between TTSC, TCLP, and the Discovery Center has great potential to benefit all three entities.

**Background:** TTSC currently resides at 11390 S. W. Bay Shore Drive, the former Zephyr Oil Co. property. Established in 1987, the company offers a range of activities to the general public including: two-hour sails, "Floating Bed and Breakfast" packages, and multi-day "Windjammer" cruises. In addition, for the past 22 years we have partnered with Inland Seas Education Association (ISEA) to foster good stewardship of the Great Lakes by educating children through the "Schoolship" program. In fact, ISEA can attribute its early success to the use of the TTSC schooner *Malabar*. Were it not for TTSC's willingness to charter the vessel at well below market rate ISEA would not have been able to establish itself to the point that, in 1994, it constructed its own vessel as a teaching platform. As of September 2011 over 90,000 students have been educated aboard the vessels of ISEA and TTSC, with TTSC accounting for 40% of the volume.

In addition to the important work with ISEA, our public sails have served the equally important purpose of giving over 200,000 members of the general public an affordable, safe and unique way to get out on the water, while giving them a taste of the maritime history of this region. The bay is our greatest asset, but the truth is that there are very few ways in which locals and visitors alike can access the water if they don't own their own boats. The schooner *Manitou* makes it possible for 10,000 –12,000 people a year to experience these waters as more than a backdrop.

Beyond the direct benefits of our sailing programs, the tall ship has become a symbol of Traverse City and part of our community identity. One would be hard pressed to produce a Traverse City marketing package of the last 20 + years that does not feature the tall ship *Manitou* prominently. When people think of Traverse City they expect the opportunity to see and sail on a tall ship.

**Our Current Situation:** On July 7, 2011 our landlord, Westbay Partners, LLC, lost the property through foreclosure by First Community Bank. Three weeks later we and the other tenants on the property received letters from Moothart McKay, PLC ordering us to vacate the premises by October 31, 2011. In our case it turns out that our lease, which was supposed to be good through 2024, became void when the property was foreclosed on. Since then we have managed to get permission from the bank to partially occupy our current location until April 2012. That buys us some time but does nothing to solve the overall problem of how to keep the business in operation through 2012 and beyond.

**Discovery Center and the Coal Dock:** We have explored our options (which are few) and the cold hard truth is that utilizing the coal dock is the only viable one that will keep *Manitou* in Traverse City. After conferring with the Discovery Center and witnessing the momentum in Elmwood Township for developing the Greilickville corridor into a world-class maritime destination, we see this as a great opportunity for all involved.

The members of Discovery Center recognize the benefit of incorporating TTSC onto their property, and they have enthusiastically given us their endorsement, contingent on approval by TCLP to operate from the coal dock. Discovery Center and TTSC envision substantial benefits to all three parties involved at the coal dock. TTSC's presence will improve the aesthetic of what is now an underutilized community asset, while directly benefiting the public. Additionally, TTSC has a 25 year history of operating safely and professionally.

### **Manitou Dockage Proposal**

1. Space on the TCLP dock east wall to accommodate the 114' vessel *Manitou*.
2. Modifications to the dock area necessary for *Manitou* operation (associated expenses to be bourn by TTSC).
  - a. Add deck at boarding area to improve aesthetics and to allow safe access to vessel.
  - b. Sink four bits into the ground along the east wall of the dock to allow the vessel to tie up.
  - c. Install 120V/30amp electrical hookup on east wall.
  - d. Plumb a water spigot to the east wall of the dock

As a tenant on the dock, TTSC will:

1. Indemnify and name as additionally insured TCLP. TTSC carries \$3,000,000 of liability insurance. **In nearly 25 years of operation we have never had a significant shore side accident resulting in an insurance claim.**
2. Maintain a clean and safe environment for the public to enjoy the Traverse area waterfront.
3. Abide by all rules set forth by TCLP



Finally, TTSC recognizes the importance of maintaining the coal dock as a deepwater port into the future. None of the modifications we propose will impede the ability of large vessels to off-load or load cargo from the east wall. We are also prepared to pledge, in writing, that we will, with notice, vacate the dock if it is required as a deep-water port.

This unfortunate situation could be a terrific opportunity for TCLP to demonstrate its goal of serving the public good on all levels. Saving the schooner *Manitou* will show the citizens of Traverse City that you truly are a community entity.

Respectfully Submitted,

David P. McGinnis  
Owner and Senior Captain  
Traverse Tall Ship Company, LLC



**TRAVERSE CITY LIGHT AND POWER DEPARTMENT  
RESOLUTION  
CERTIFYING LIMITED LICENSE INTEREST IN COAL DOCK TO BE SURPLUS**

WHEREAS, the Traverse City Light and Power Department owns the Coal Dock and adjacent property in Elmwood Township, Leelanau County; and

WHEREAS, pursuant to Traverse City Code of Ordinances Section 292.03, the Traverse City Light and Power Department has been given authority to engage in public wharfs, landings, yacht basins, harbors, docks, wharfs, and terminal facilities; and

WHEREAS, the Traverse Tall Ship Company, LLC, has requested limited rights to use a portion of the Coal Dock and adjacent bottomlands to dock the tall ship Manitou and to allow the public to board and disembark from that vessel; and

WHEREAS, the limited use by the Traverse Tall Ship Company will not interfere or impede the use of the dock for other Light and Power purposes; and

WHEREAS, a license has been negotiated with the Traverse Tall Ship Company, LLC, for a limited time and which licensee must move its vessels and equipment at the direction of the Department if necessary for its own utility purposes;

NOW, THEREFORE, BE IT RESOLVED that the limited interest in the Coal Dock described in the proposed License is certified as not necessary for the operation of the Light and Power Department; and

BE IT FURTHER RESOLVED that the Chairman and Secretary are authorized to execute the License to Use Coal Dock and Bottomlands if the surplus status of this property is confirmed by the Traverse City Commission pursuant to City Charter Section 179(b).

**TRAVERSE CITY LIGHT & POWER DEPARTMENT  
LICENSE TO USE COAL DOCK AND BOTTOMLANDS**

This Agreement is made this \_\_\_\_ day of \_\_\_\_\_, 2012, by and between the TRAVERSE CITY LIGHT & POWER DEPARTMENT, whose address is 1131 Hastings Street, Traverse City, Michigan 49686, a Michigan municipal electric utility, (hereinafter referred to as "Licensor") and the TRAVERSE TALL SHIP COMPANY, LLC, a Michigan limited liability company, whose address is 13390 S. West Bay Shore Drive, Traverse City, Michigan 49684, (hereinafter referred to as "Licensee").

The parties agree as follows:

1. License. Licensor hereby grants to Licensee the right, privilege, and permission to access and use the east wall of a dock owned by Licensor in Elmwood Township on West Grand Traverse Bay. Licensor's property, the Coal Dock, is shown on Attachment A and that part of it which is hereby made available to Licensee is marked Areas A and C also shown on Attachment A. The Area shown as available to Licensee is hereinafter referred to as "the Property." This License is not exclusive.

2. Use. The Property may be used by Licensee to install its facilities and utilize it for passengers to embark and disembark from April 1 to October 31 annually (the "Season"). Only the 114 foot long tall ship Manitou owned and titled to Licensee may be docked by Licensee at the Property. Dockage of the vessel is restricted to Area A and loading and unloading are restricted to Area C as depicted on Attachment A. No maintenance shall be performed or storage shall occur on the Coal Dock outside the boundaries of Area C, which shall be kept neat and orderly. No off-Season use is allowed on the Coal Dock, the Property or within Licensor's Bottomlands Agreement.

3. Term. This License is for a term of one (1) year and shall automatically renew annually for another year for five (5) years from the date hereof unless earlier terminated in writing by either party before September 30 annually for the succeeding term.

4. Consideration. Licensee shall pay as consideration to Licensor for this license \$3,533.00 for the first year. The annual License fee shall be increased in each additional year by the Consumer Price Index – All Urban Consumers (CPI-U, Midwest Urban All items), published by the United States Department of Labor, Bureau of Labor Statistics (1982-84=100), In the event such index shall cease to be computed or published, the parties shall designate a successor index to be used in determining any increase to the annual License fee. The License fee shall be paid in three equal installments each on August 1<sup>st</sup>, September 1<sup>st</sup>, and October 1<sup>st</sup> and continuing on the first (1<sup>st</sup>) day of each August, September, and October thereafter during the term of this License.

5. Late Payment. If Licensee fails to timely pay a license fee installment, there shall be a late fee charge of \$125.00 plus interest at a rate of 6% per annum until paid.

6. Taxes and Utilities. Licensee shall be responsible for and shall promptly pay all taxes and utility charges resulting from its use or occupancy of the Property.

7. Termination. Absent written notification to the Licensor, if Licensee is not using the Property for the above use for any consecutive 30 days period from May 31 to September 1 in any year, either party may terminate this Agreement and the license at any time by specifying in writing the date of termination and giving written notice to the other party not less than 14 days prior to the date of termination specified in the notice. After termination, at Licensor's option, all or some of the items or facilities on the Property placed there by Licensee shall become the sole property of Licensor. After termination, Licensor may at Licensee's expense, remove all or some of the items or facilities on the Property including vessels and associated equipment placed there by Licensee. Licensee shall pay for or reimburse Licensor for all costs in connection with removal of items, facilities and vessels, including actual attorney fees, and shall hold harmless and indemnify Licensor. Licensee shall promptly remove its vessel from the Coal Dock at the termination of this License.

8. Care of Property. Licensee at all times shall keep the Property and all adjoining property and water clean and neat from all rubbish and other items deposited by Licensee or those acting under this License. Licensee shall take particular care to make sure that there is no spill or leakage of fuel or any other substances and, if there is such a spill or leakage, will report it immediately to the Executive Director of Licensor.

9. Insurance. Licensee shall obtain and maintain general liability insurance with a coverage limit of not less than five (5) million dollars and shall name Licensor as an additional insured without restrictions under that policy. The policy shall contain a provision requiring that Licensor be given 30 days or more prior to cancellation of any such policy.

10. Waste. Licensee may cut grass and weeds, but shall not cut trees, excavate, move earth, plant trees or shrubs, or commit any waste on the Property without prior written consent of the Executive Director of Licensor.

11. Hold Harmless. Licensee agrees to indemnify, defend, and save harmless Traverse City Light and Power Department, the City of Traverse City, and their officials and employees, from and against all loss or expense, including costs and attorney's fees, by reason of any claim against or liability imposed by law upon the City or Traverse City Light and Power, for damages because of bodily injury, including death, at any time resulting therefrom, arising out of, or in consequence of the performance of the operations of Licensee, unless such injury or damage is occasioned by the sole negligence of Licensor or the City. Neither the City nor Traverse City Light and Power waive the defense of governmental immunity by this Agreement or any undertaking pursuant to this Agreement.

12. Assignment. This License is personal to Licensee and Licensee may not assign or transfer all or any part of said License without the prior written consent of Licensor.

13. Amendments. This License may only be amended in a writing signed by both Licensor and Licensee.

14. Moving Vessels and Equipment. Licensor at its sole discretion may require Licensee or the owner to move vessels and associated equipment to other dockage or moorage as it may deem necessary for its own utility purposes, for deliveries on the Coal Dock, for emergencies or other use deemed necessary by Licensor. Licensor shall give Licensee 14 days notice of a required move, with the exception of emergencies, in which case all reasonable effort will be made to notify Licensee in a timely manner.

15. Installed Facilities. Licensee is allowed to install items and facilities that are described in Attachment B attached hereto and incorporated here by reference. Installed items and facilities shall be made by Lessee at its expense; however, ownership of any installed items or facilities shall be that of the Licensor upon its installation. No other items or facilities shall be allowed or be placed on the Coal Dock without prior written permission of the Licensor's Executive Director.

16. Bottomlands Agreement. Licensor has obtained from the State of Michigan an Agreement to Use and Occupy Unpatented Great Lakes Bottomlands for Private Purposes dated December 13, 2005. This Agreement is subject to and subordinate to that Bottomlands Agreement. The parties believe that this License complies with the Bottomlands Agreement, but, if in the opinion of the State of Michigan it does not comply, this Agreement shall automatically terminate. If the Bottomlands Agreement expires or is terminated for any reason, this Agreement is automatically terminated.

17. Cooperation. Licensee understands and agrees that this Agreement is not exclusive and that Licensor and others with Licensor's permission utilize the Coal Dock, the bottomlands and uplands for a variety of other purposes and uses. The parties agree to cooperate with other users and occupants of the Coal Dock, bottomlands and uplands. Licensee agrees that in the event of a conflict between users, it will not be deemed to be a breach of this Agreement and will not hold Licensor liable or responsible in any way.

18. Township and County Requirements. Licensee agrees to comply with all ordinances, rules, requirements and directives issued by Elmwood Township, Leelanau County or any of their officials. Licensee agrees to abide by all judgments and orders of the Leelanau Circuit Court, subject to Licensee's rights to appeal any such ruling(s).

19. Enforcement Costs. Licensee shall pay Licensor all costs, including reasonable attorney fees, Licensor incurs in the enforcement of any provision of this Agreement.

20. No Third-Party Beneficiaries. This Agreement confers no rights or remedies on any third-party, other than the parties to this Agreement, and their respective successors and permitted assigns.

21. No Joint Venture or Partnership. This Agreement does not and is not intended to create a joint venture or partnership between the parties. The rights and obligations of the parties are entirely contained within this Agreement.

22. Force Majeure. To the extent that Force Majeure causes a delay in performance,

the time for performance shall be extended by the period of Force Majeure. Either party shall have authority to terminate this Agreement at any time during a period of Force Majeure. There shall be no damages, lost profits or extra expense paid to Licensee as a result of a delay occasioned by Force Majeure. "Force Majeure" means unforeseeable events beyond a party's reasonable control and without such party's failure or negligence, including, but not limited to, acts of God, acts of public enemy, acts of the federal or state government, acts of a court such as injunctions, fire, flood, inclement weather, epidemic, quarantine restrictions, strikes and embargoes, and labor disturbance, but only if the party seeking to claim Force Majeure takes reasonable actions necessary to avoid or lessen delays caused thereby.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above mentioned.

TRAVERSE CITY LIGHT & POWER DEPARTMENT

By: \_\_\_\_\_  
Mike Coco, Light & Power Board Chairman

By: \_\_\_\_\_  
Edward E. Rice, Secretary

TRAVERSE TALL SHIP COMPANY, LLC

By: \_\_\_\_\_  
David McGinnis, Manager

APPROVED AS TO SUBSTANCE

I personally guarantee the promises and obligations of Licensee:

\_\_\_\_\_  
Edward E. Rice, Executive Director  
Traverse City Light and Power


\_\_\_\_\_  
David McGinnis

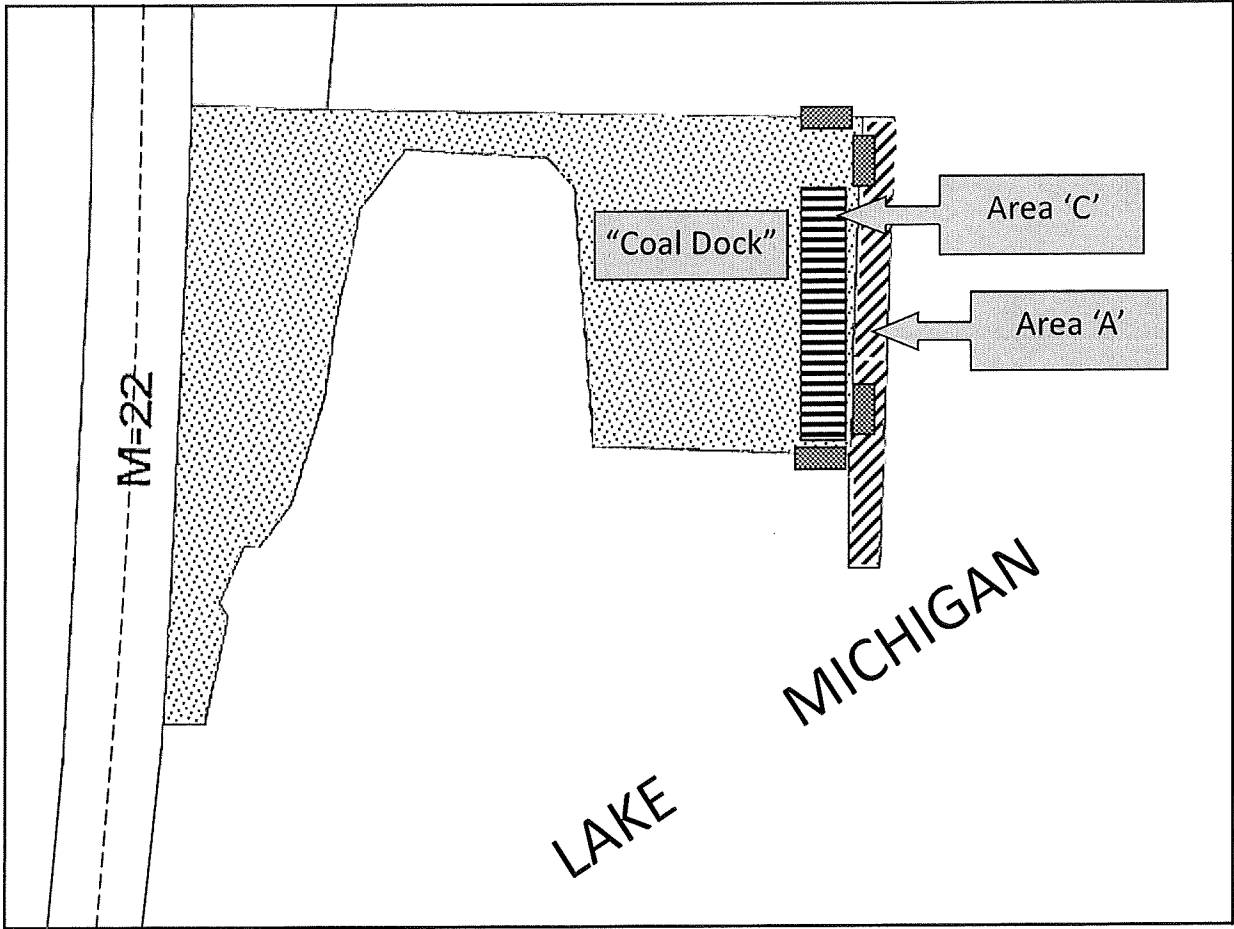
APPROVED AS TO FORM:

\_\_\_\_\_  
W. Peter Doren, General Counsel  
Traverse City Light & Power

# Attachment 'A'

## Property

 = "Danger, No Swimming/No Diving" Signs



## Attachment B

### **Installed Facilities**

Licensee may install the following items and facilities.

1. A brick patio at the boarding area on the east wall of the following size: 30' x 30'.
2. Four bits sunken into the ground along the east wall to permit tying up the vessel to the Dock.
3. A 120V/30 amp electrical hookup near the east wall of the Dock and underground electrical connection from the service located at the dock currently leased to Maritime Heritage Alliance.
4. A water spigot at the east wall of the Dock and underground plumbing of 3/4 inches running from the municipal water main.
5. "DANGER – No Swimming/No Diving" signs shall be installed on the railings, at Licensee's expense, as depicted in Attachment A.

Licensee shall remove at its expense all underground and above ground installed facilities at the request of Licensor.

Other items and facilities are allowed only if there is prior written approval of Licensor's Executive Director.





January 3, 2011

Mr. Timothy Arends, Controller  
Traverse City Light & Power  
1131 Hastings Street  
Traverse City, MI 49686

**RE: REVIEW OF PROPOSED TALL SHIP DOCKING AT BLP PROPERTY**

Dear Mr. Arends,

After meeting with you to review the proposal for the docking of a new tall ship at the Board of Light & Power's former coal dock facility on Wednesday, December 28, 2011, it is my opinion that this proposed project will not negatively affect the Board of Light & Power's potential liability. I would make the following recommendations with respect to this proposal:

- Board of Light & Power staff should verify annually that the operator of the tall ship continues to carry an adequate amount of property & liability insurance covering the operations of this business on BLP property.
- The signage prohibiting any swimming or diving into the waters surrounding the coal dock facility that you suggested should be installed prior to the start of operations for the ship.

If you have any questions concerning these issues do not hesitate to contact me at [dsperry@meadowbrook.com](mailto:dsperry@meadowbrook.com) or at (231) 288-9928.

Sincerely,

David Sperry, MPA, ARM  
Loss Control Consultant  
MML Loss Control Services

Service Provider: **Meadowbrook® Insurance Group**

Loss Control & Member Services: P.O. Box 5174, Southfield, MI 48037 PH: 248.358.1100 • 800.482.2726 • FX: 248.358.0534  
Southfield Claims Service: P.O. Box 5174, Southfield, MI 48086-5174 PH: 248.358.1100 • 800.482.2726 • FX: 248.358.3251  
Grand Rapids Claims: 3501 Lake Eastbrook S.E., Suite 150, Grand Rapids, MI 49546 PH: 616.942.0311 • 800.752.7477 • FX: 616.942.0390

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The City of Traverse City

Office of the City Attorney

GOVERNMENTAL CENTER  
400 Boardman Avenue  
Traverse City, MI 49684  
(231) 922-4404  
(231) 922-4476 Fax



January 6, 2012

**Via E-Mail**

W. Peter Doren

DOREN@SONDEERACINE.COM

RE: TCL&P Coal Dock

Dear Peter,

Thank you for your letter of December 14, 2011 regarding whether TCL&P must have Commission approval before considering a request from the Traverse Tall Ship Company to grant a license for docking of a schooner at the former coal dock. My opinion is that the TCL&P Board and the City Commission must first certify that the property is no longer necessary for operation of the Light and Power Department before the property may be disposed of in any manner. Ordinance Section 292.03 states "All powers and duties possessed by the Traverse City Light & Power Department and the Traverse City Light & Power Board pursuant to Chapter XVIII of the City Charter are hereby made applicable to these activities." The activities referred to are engaging in "public wharves, landings, yacht basins, harbors, docks, wharves, and terminal facilities." In other words any powers granted by the ordinance are limited by those enumerated in the Charter. Under Charter Section 179(b) if real property is certified by the Light and Power Department and the City Commission as not necessary for the operation of the Light and Power Department it may be disposed of after that certification is made. This certification is not made via the ordinance. While disposal of the property is permissible under the Charter, I do have some concerns in the case it is leased or administered for a proprietary function as such action could jeopardize a governmental immunity defense. Please feel free to contact me if you have questions.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Lauren Tribble-Laucht".


Lauren Tribble-Laucht  
City Attorney

CC: R. Ben Bifoss, City Manager  
Mayor Estes and City Commissioners



**TRAVERSE CITY  
LIGHT & POWER**

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**To:** Light & Power Board  
**From:** Edward E. Rice, Executive Director   
**Date:** January 18, 2012  
**Subject:** Presentation of the 2010-2011 Financial Audit

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The TCL&P Financial Audit for the fiscal year ended June 30, 2011 will be presented by the audit firm of Rehmann Robson as a New Business agenda item. If after the Board's questions have been answered and you are satisfied with the report the following motion would be appropriate:

**MOVED BY \_\_\_\_\_, SECONDED BY \_\_\_\_\_,  
THAT THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011,  
BE ACCEPTED.**

**Traverse City Light and Power**

**(A Component Unit of the  
City of Traverse City, Michigan)**

**Financial Statements**

**For the Fiscal Year Ended  
June 30, 2011**

**TRAVERSE CITY LIGHT AND POWER**  
**(A Component Unit of the City of Traverse City, Michigan)**

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**INDEPENDENT AUDITORS' REPORT**

December 29, 2011

The Honorable Chairman and Members  
Traverse City Light and Power Board  
Traverse City, Michigan

We have audited the accompanying financial statements of the business-type activities and each major fund of *Traverse Department Light and Power* (the "Department"), a component unit of the City of Traverse City, Michigan, as of and for the year ended June 30, 2011, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and each major fund of the Department as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2011, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3-5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements which collectively comprise Traverse City Light and Power's basic financial statements. The schedule of capital assets and depreciation and schedules of revenues and expenditures – budget to actual are supplementary information presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

*Rehmann Lobson*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



# TRAVERSE CITY LIGHT AND POWER

## Management's Discussion and Analysis

As management of the *Traverse City Light and Power* (the "Department"), we offer readers of the Department's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's financial statements. The Department's financial statements comprise three components:

1. Financial statements
2. Notes to the financial statements
3. Supplementary information

### Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Department is accounted for in two proprietary funds (Enterprise Funds). The Light and Power Fund and the Fiber Fund are both considered major for reporting purposes.

*Enterprise funds* distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing electrical services to customers. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The *Statement of Net Assets* presents information on all of the Department's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the Department's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The Department is principally supported by charges for providing electrical and fiber services to customers in Traverse City and Townships within the franchise area. The financial statements include only the Department itself. The Department has no legally separate component units for which the Department is financially accountable.

The Department adopts an annual appropriated budget for its funds as required by the City Charter. Budgetary comparison schedules have been provided herein to demonstrate compliance with that charter provision.

The Department does not maintain any governmental or fiduciary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to gain a full understanding of the data provided in the Department's financial statements.

**Supplementary information.** In addition to the financial statements and accompanying notes, this report also presents certain *supplementary information*, which includes this management discussion and analysis and schedules following the notes to financial statements.

### The Department's Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Department, assets exceeded liabilities by approximately \$73,000,000 at the close of the most recent fiscal year, June 30, 2011.

The largest portion of net assets for the Department is its investment in capital assets (primarily land, construction in progress, buildings, distribution system and equipment). The Department uses these capital assets to provide services to customers. The remaining Department net assets are unrestricted and available for Department activity.

#### Traverse City Light and Power's Net Assets

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
<b>Business-type Activities</b>		
Current and other assets	\$ 36,620,224	\$ 35,817,437
Capital assets	<u>38,817,697</u>	<u>38,208,732</u>
Total assets	75,437,921	74,026,169
Long-term liabilities outstanding	292,721	326,002
Other liabilities	<u>2,567,933</u>	<u>2,680,896</u>
Total liabilities	<u>2,860,654</u>	<u>3,006,898</u>
Net assets		
Invested in capital assets	38,817,697	38,208,732
Unrestricted	<u>33,759,570</u>	<u>32,810,539</u>
<b>Total net assets</b>	<b><u>\$ 72,577,267</u></b>	<b><u>\$ 71,019,271</u></b>

#### Traverse City Light and Power's Changes in Net Assets

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
<b>Business-type Activities</b>		
Operating revenue	\$ 30,165,063	\$ 27,214,578
Operating expenses	(29,609,252)	(25,436,123)
Nonoperating revenue (expenses) – net	<u>1,002,185</u>	<u>901,422</u>
Increase in net assets	1,557,996	2,679,877
Net assets – beginning of year	<u>71,019,271</u>	<u>68,339,394</u>
<b>Net assets – end of year</b>	<b><u>\$ 72,577,267</u></b>	<b><u>\$ 71,019,271</u></b>

## Business-type activities

The overall financial position of the Department remained strong in 2010-2011. There are no outstanding debt obligations except for the commitments through the power supply contracts with MPPA to reimburse MPPA for debt service costs relating to the Campbell, Belle River and Kalkaska Combustion Turbine generation plants.

## Revenue

Residential sales were up 13.0% over last year, commercial sales were up 8.8% and industrial sales were up 11.4% contributing to the majority of a \$2,950,485 increase in operating revenues. Management attributes this increase to improvement in the local economy along with warmer summer seasons in 2010 and 2011.

## Expenses

In fiscal year 2010-2011, operating expenses increased approximately \$4,173,000 from fiscal year 2009-2010 due in large part to increased generation expenses as a result of increased energy sales, increased energy conservation efforts that exceeded Public Act 295 requirements, and an increase in the city fee as a result of increased sales.

## Capital asset and debt administration

### Traverse City Light and Power Capital Assets (net of depreciation)

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 806,695	\$ 806,695
Construction in progress	780,851	82,980
Buildings and improvements	4,010,915	4,012,649
Equipment and distribution system	53,064,601	51,432,227
Accumulated depreciation	<u>(19,845,365)</u>	<u>(18,125,819)</u>
<b>Total</b>	<b><u>\$ 38,817,697</u></b>	<b><u>\$ 38,208,732</u></b>

Additional information about capital assets is provided in Note 3 to the financial statements.

Debt of the department consists of amounts outstanding for accrued compensated absences. Additional information can be found in Note 4 to the financial statements.

## Economic Factors and Next Year's Budgets and Rates

A rate increase was not budgeted for fiscal year 2011-12; however, future generation needs and recently passed legislation requiring 10% renewable energy generation by 2015 will impact the Department's capital plans.

Due to the uncertainty of the local and state economy, the Department maintained a status quo budget in 2011-2012 allowing for modest increases for inflation in revenues and expenses.

## Requests for Information

This financial report is designed to provide a general overview of the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tim Arends, Controller, Traverse City Light and Power, 1131 Hastings Street, Traverse City, MI 49686.

## FINANCIAL STATEMENTS

## TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

### STATEMENT OF NET ASSETS JUNE 30, 2011

ASSETS	Light and Power Fund	Fiber Fund	Total
<b>Current assets</b>			
Cash and cash equivalents	\$ 11,946,901	\$ -	\$ 11,946,901
Investments	17,649,745	-	17,649,745
Receivables			
Customer, less allowances of \$222,749 for uncollectible accounts (Light and Power Fund)	3,348,384	10,125	3,358,509
Accrued interest	25,786	-	25,786
Taxes	278,989	-	278,989
Other	75,264	-	75,264
Due from Federal government	250,000	-	250,000
Due from other funds	48,460	-	48,460
Inventories	2,077,606	-	2,077,606
Prepaid expenses	49,299	-	49,299
<b>Total current assets</b>	<b>35,750,434</b>	<b>10,125</b>	<b>35,760,559</b>
<b>Non-current assets</b>			
Other postemployment benefit asset	308,926	-	308,926
Long-term advances - due from primary government	550,739	-	550,739
Land and land improvements	806,695	-	806,695
Construction in progress	727,020	53,831	780,851
Capital assets being depreciated, net	35,796,417	1,433,734	37,230,151
<b>Total non-current assets</b>	<b>38,189,797</b>	<b>1,487,565</b>	<b>39,677,362</b>
<b>Total assets</b>	<b>\$ 73,940,231</b>	<b>\$ 1,497,690</b>	<b>\$ 75,437,921</b>

The accompanying notes are an integral part of these financial statements.

# TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

## STATEMENT OF NET ASSETS JUNE 30, 2011

LIABILITIES AND NET ASSETS	Light and Power Fund	Fiber Fund	Total
<b>Current liabilities</b>			
Accounts payable	\$ 1,893,122	\$ 16,181	\$ 1,909,303
Accrued expenses and other liabilities	394,959	-	394,959
Customer deposits	122,712	-	122,712
Unearned revenue	-	12,100	12,100
Due to other funds	-	48,460	48,460
Due to primary government	71,219	9,180	80,399
Compensated absences	6,456	-	6,456
<b>Total current liabilities</b>	<b>2,488,468</b>	<b>85,921</b>	<b>2,574,389</b>
<b>Long-term liabilities</b>			
Compensated absences, net of current portion	286,265	-	286,265
<b>Total liabilities</b>	<b>2,774,733</b>	<b>85,921</b>	<b>2,860,654</b>
<b>Net assets</b>			
Invested in capital assets	37,330,132	1,487,565	38,817,697
Unrestricted (deficit)	33,835,366	(75,796)	33,759,570
<b>Total net assets</b>	<b>71,165,498</b>	<b>1,411,769</b>	<b>72,577,267</b>
 <b>Total liabilities and net assets</b>	 <b>\$ 73,940,231</b>	 <b>\$ 1,497,690</b>	 <b>\$ 75,437,921</b>

The accompanying notes are an integral part of these financial statements.

## TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2011

	Light and Power Fund	Fiber Fund	Total
<b>Operating revenues</b>			
Charges for services	\$ 27,844,636	\$ 183,605	\$ 28,028,241
MISO income	1,891,263	-	1,891,263
Other	245,559	-	245,559
<b>Total operating revenues</b>	<b>29,981,458</b>	<b>183,605</b>	<b>30,165,063</b>
<b>Operating expenses</b>			
Generation	20,074,348	-	20,074,348
Distribution	3,276,966	-	3,276,966
Transmission	196,728	-	196,728
Customer accounting	545,269	-	545,269
Public service	707,311	-	707,311
General administration	1,320,066	-	1,320,066
Fiber	-	78,097	78,097
Other	71,315	1,263	72,578
City fee	1,511,219	9,180	1,520,399
Depreciation and amortization	1,732,081	85,409	1,817,490
<b>Total operating expenses</b>	<b>29,435,303</b>	<b>173,949</b>	<b>29,609,252</b>
<b>Operating income</b>	<b>546,155</b>	<b>9,656</b>	<b>555,811</b>
<b>Non-operating revenues (expenses)</b>			
Federal grant	250,000	-	250,000
State grant	27,623	-	27,623
Rental income	103,589	-	103,589
Reimbursements	271,227	34,392	305,619
Interest income	314,787	-	314,787
Change in fair value of investments	22,891	-	22,891
Loss on disposal of capital asset	(22,324)	-	(22,324)
<b>Total non-operating revenues</b>	<b>967,793</b>	<b>34,392</b>	<b>1,002,185</b>
Change in net assets	1,513,948	44,048	1,557,996
Net assets, beginning of year	69,651,550	1,367,721	71,019,271
<b>Net assets, end of year</b>	<b>\$ 71,165,498</b>	<b>\$ 1,411,769</b>	<b>\$ 72,577,267</b>

The accompanying notes are an integral part of these financial statements.

# TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2011

	Light and Power Fund	Fiber Fund	Total
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 30,475,358	\$ 173,480	\$ 30,648,838
Cash payments to employees	(4,937,006)	(65,399)	(5,002,405)
Cash payments to suppliers for goods and service	(22,081,484)	(5,160)	(22,086,644)
Cash payments of City fees	(1,374,844)	(8,608)	(1,383,452)
<b>Net cash provided by operating activities</b>	<b>2,082,024</b>	<b>94,313</b>	<b>2,176,337</b>
<b>Cash flows from non-capital financing activities</b>			
Long-term advance from primary government	84,632	-	84,632
Cash payments from other government	27,623	-	27,623
Cash payments to other fund:	-	(82,040)	(82,040)
Cash payments from other fund	82,040	-	82,040
Customer deposits received	17,240	-	17,240
Rental income received	103,589	-	103,589
Reimbursements received	271,227	34,392	305,619
<b>Net cash provided by (used in) non-capital financing activities</b>	<b>586,351</b>	<b>(47,648)</b>	<b>538,703</b>
<b>Cash flows from capital and related financing activities</b>			
Purchase of capital assets	(2,402,112)	(46,665)	(2,448,777)
<b>Cash flows from investing activities</b>			
Purchase of investments	(3,311,783)	-	(3,311,783)
Interest and dividends received	342,784	-	342,784
<b>Net cash used in investing activities</b>	<b>(2,968,999)</b>	<b>-</b>	<b>(2,968,999)</b>
Net decrease in cash and cash equivalents	(2,702,736)	-	(2,702,736)
Cash and cash equivalents, beginning of year	14,649,637	-	14,649,637
<b>Cash and cash equivalents, end of year</b>	<b>\$ 11,946,901</b>	<b>\$ -</b>	<b>\$ 11,946,901</b>

The accompanying notes are an integral part of these financial statements.



# TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2011

	Light and Power Fund	Fiber Fund	Total
<b>Cash flows from operating activities</b>			
Operating income	\$ 546,155	\$ 9,656	\$ 555,811
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,732,081	85,409	1,817,490
Changes in operating assets and liabilities which (used) provided cash			
Receivables	482,390	(10,125)	472,265
Inventories	(471,472)	-	(471,472)
Prepaid expenses	(16,816)	-	(16,816)
Accounts payable	(173,774)	8,801	(164,973)
Due to other governments	136,375	572	136,947
Accrued expenses and other liabilities	45,017	-	45,017
Compensated absences	(33,281)	-	(33,281)
Other postemployment benefit asse	(164,651)	-	(164,651)
<b>Net cash provided by operating activities</b>	<b>\$ 2,082,024</b>	<b>\$ 94,313</b>	<b>\$ 2,176,337</b>

The accompanying notes are an integral part of these financial statements.

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# TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

Under provisions of the City of Traverse City (the "City") Charter, the Light and Power Board (the "Board") was created having jurisdiction and control of *Traverse City Light and Power* (the "Department"). The Board consists of seven members (two of which are City Commissioners) and one ex-officio member (the City Manager). The Department's annual budget is approved by the City Commission. The Department is required to pay 5% of its gross revenue annually to the City's General Fund as a city fee. For fiscal 2011, the city fee was \$1,520,399.

#### Reporting Entity

The Department is a discretely presented component unit of the City because the City appoints the Department's Board of Directors, it has the ability to significantly influence the Department's operations and it is financially accountable for the Department as defined under GASB Statement No. 14, *The Financial Reporting Entity*. Accordingly, the Department is a discretely presented component unit in the City's financial statements and is an integral part of that reporting entity.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Department. There are no component units to be included. The criteria for including a component unit, includes significant operational or financial relationships with the Department.

#### Basis of Accounting

The Department uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Department considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### Investments

Investments are stated at fair value. The change in fair value of the investments from the beginning of the year to the end of the year is reported in the "Non-operating revenues" section of the Statements of Revenues, Expenses and Changes in Net Assets".

State statutes authorize the Department to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States or an agency or instrumentality of the United States.

# TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

## NOTES TO FINANCIAL STATEMENTS

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- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptance of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.
- h. Long-term or perpetual trust funds consisting of money and royalties or money derived from oil and gas exploration on property or mineral rights owned by the Department has the same authority to invest the assets as is authorized by Public Act 314 as amended.

### Inventories

Inventories consist of materials to be used in the electric system and are valued at cost (first-in, first-out) not in excess of market. Maintenance and office supplies (immaterial at year end) are charged to expenses upon purchase.

### Capital assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated lives of the related assets as follows:

	<u>Years</u>
Buildings and structures	20-50
Power production equipment and distribution system	5-50

### Compensated Absences

Compensated absences consist of accumulated unpaid vacation, short-term leave and sick pay. Accumulated unpaid vacation and short-term leave are accrued when earned and sick pay is accrued up to a maximum when it is probable that the benefit will be paid to the employee.

### Operating Revenue versus Non-operating Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Department are charges to customers for sales and services and Midwest Independent System Operator "MISO" revenue. Operating expenses for the Department include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

# TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

## NOTES TO FINANCIAL STATEMENTS

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### Funds

The Department reports the following major proprietary funds:

The Light and Power Enterprise Fund is used to account for the operations of the Department's electric utility that provides electric service to customers on a user charge basis.

The Fiber Enterprise Fund is used to account for the operations of the Department's fiber optic utility that provides services to customers on a user charge basis. The Fiber Fund was created in 2008 with an initial capital contribution from the Light and Power Enterprise Fund.

### Restricted resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

## 2. CASH DEPOSITS AND INVESTMENTS

The Department's cash and cash equivalents, and investments at June 30, 2011 are composed of the following:

	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Totals</u>
Deposits	\$11,946,801	\$ 6,118,309	\$ 18,065,110
Investments	-	11,531,436	11,531,436
Petty cash	<u>100</u>	<u>-</u>	<u>100</u>
<b>Total</b>	<b><u>\$11,946,901</u></b>	<b><u>\$ 17,649,745</u></b>	<b><u>\$ 29,596,646</u></b>

Deposits consist of various interest bearing cash accounts and certificates of deposit, held by the City of Traverse City Treasurer. The insured and uninsured bank balances for the Department deposits are not available as these deposits are held in pools with other City funds.

The Department is authorized by Michigan Public Act 20 of 1943 to invest surplus monies in U.S. bonds and notes, certain commercial paper, mutual funds and investment pools that are composed of authorized investment vehicles.

# TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

## NOTES TO FINANCIAL STATEMENTS

The Department chooses to disclose its investments by specifically identifying each. As of June 30, 2011, the Department's Michigan CLASS investment is rated by Standard & Poor's. The Department had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
US Treasury note	09/30/2011	\$ 1,002,340	AAA
US Treasury note	12/31/2011	1,004,340	AAA
US Treasury note	01/15/2013	507,735	AAA
US Treasury note	04/15/2013	1,023,520	AAA
US Treasury note	09/30/2014	1,046,560	AAA
US Treasury note	12/31/2014	1,054,060	AAA
US Treasury note	06/30/2015	697,411	AAA
US Treasury note	02/16/2016	400,500	AAA
US Treasury note	04/11/2016	500,155	AAA
US Treasury note	05/25/2016	500,045	AAA
US Treasury note	06/30/2018	498,298	AAA
US Treasury note	12/31/2016	960,120	AAA
US Treasury note	02/15/2020	423,156	AAA
US Treasury note	09/30/2013	105,781	AAA
MPPA Investments Pool	Various	1,804,398	Unrated
Michigan CLASS	N/A	<u>3,017</u>	AAAm
		<b><u>\$ 11,531,436</u></b>	

### Investment and deposit risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1. The Department's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The Department's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned. State law does not require and the Department does not have a policy for deposit custodial credit risk. The insured and uninsured bank balances for the Department deposits are not available as these deposits are held in pools with other City funds.

# TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

## NOTES TO FINANCIAL STATEMENTS

*Custodial Credit Risk—Investments.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Department does not have a policy for investment custodial credit risk. Of the above \$11,531,436 of investments at June 30, 2011, the Department has a custodial credit risk exposure of \$9,724,021 because the related securities are uninsured, unregistered and held by the government’s brokerage firm which is also the counterparty for these particular securities. Of the above investment pools the Department’s custodial credit risk exposure cannot be determined because the Department does not own specifically identifiable securities.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified above. The Department’s investment policy does not have specific limits in excess of state law on concentration of credit risk. None of the investments held by the Department excluding government obligations explicitly guaranteed by the U.S. government exceed the 5% of the Department’s investments.

### 3. CAPITAL ASSETS

At June 30, 2011 capital assets consist of the following:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated				
Land and land improvements	\$ 806,695	\$ -	\$ -	\$ 806,695
Construction in progress	82,980	1,201,372	503,501	780,851
Total capital assets not being depreciated	889,675	1,201,372	503,501	1,587,546
Capital assets being depreciated				
Buildings and improvements	4,012,649	-	1,734	4,010,915
Equipment and distribution system	49,781,515	1,724,331	118,532	51,387,314
Fiber system	1,650,712	26,575	-	1,677,287
Total capital assets being depreciated	55,444,876	1,750,906	120,266	57,075,516
Less accumulated depreciation for				
Buildings and improvements	859,278	120,379	1,625	978,032
Equipment and distribution system	17,108,397	1,611,702	96,319	18,623,780
Fiber system	158,144	85,409	-	243,553
Total accumulated depreciation	18,125,819	1,817,490	97,944	19,845,365
Total capital assets being depreciated, net	37,319,057	(66,584)	22,322	37,230,151
<b>Total capital assets, net</b>	<b>\$ 38,208,732</b>	<b>\$ 1,134,788</b>	<b>\$ 525,823</b>	<b>\$38,817,697</b>

# TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

## NOTES TO FINANCIAL STATEMENTS

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### 4. INTERFUND PAYABLES AND RECEIVABLES

Amounts payable to cover cash deficits due to the Light and Power Fund from the Fiber Fund at June 30, 2011 amounted to \$48,460 and \$48,460, respectively.

### 5. LONG-TERM LIABILITIES

Long-term debt at June 30, 2011 consists of the following:

	<u>Compensated Absences</u>
Beginning balance, July 1, 2010	\$ 326,002
Reductions	<u>33,281</u>
<b>Ending balance, June 30, 2011</b>	<b><u>\$ 292,721</u></b>
<b>Due within one year</b>	<b><u>\$ 6,456</u></b>

### 6. FEDERAL FUNDING

The Department is a recipient of federal funding. Expenditures eligible for reimbursement by the federal government amounted to \$250,000 for the fiscal year ended June 30, 2011. These expenditures are included in the single audit for the City of Traverse City.

### 7. POWER SUPPLY PURCHASE

In 1990, the Department entered into a 20-year power supply and capacity purchase agreement with the Michigan Public Power Agency ("MPPA") which terminated on December 31, 2010. The Department had purchased all of its deficient capacity from the MPPA during the term of the agreement.

In September 2010, the Department entered into two 5-year agreements with the Lansing Board of Water & Light ("LBWL") to commence January 1, 2011. The purchase power agreement allows for the purchase of a minimum of 10 megawatt of electric energy up to a maximum of 45 megawatt to replace its deficient energy needs from the expired agreement with MPPA. The estimated cost for the 5-year term is \$40,000,000. The energy service agency agreement provides for LBWL to act as the Department's agent with Midwest ISO ("MISO"). LBWL will enter into third party contracts to purchase energy and sell surplus energy into the MISO daily and hourly markets. The estimated cost for the 5-year term is \$375,000. For the year ended June 30, 2011, the Department recognized expenses totaling \$4,450,284.

The Department, along with other Michigan municipal utilities, is a member of the MPPA. The agency was formed to acquire interests in certain electric generating plants and related transmission lines to service its members. MPPA has acquired a 4.8% undivided interest in the Consumers Power Company Campbell 3 plant, an 18.61% undivided interest in the Detroit Edison Company Belle River project, and 100% undivided interest in the Kalkaska Combustion Turbine project.



# TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

## NOTES TO FINANCIAL STATEMENTS

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In 1983, the Department entered into a 35-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 26.35% of the energy generated by MPPA's 4.8% interest in the Campbell 3 plant and 4.53% of the energy generated by MPPA's 18.61% interest in the Belle River plant. In 2002, the Department entered into a 25-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 75.9% of the energy generated by MPPA's 100% interest in the Kalkaska Combustion Turbine.

For the year ended June 30, 2011, Traverse City Light and Power recognized expenses totaling \$13,024,492 to purchase power under the terms of all contracts with MPPA. The price of the power was calculated on a basis, as specified in the contracts, to enable MPPA to recover its production, transmission and debt service costs.

Under the terms of the contracts, the Department must make minimum annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell 3, Belle River, and Combustion Turbine projects (based on the percentage of power purchased). Future operating costs are estimated based on 2011 costs adjusted for inflation. The total estimated future operating costs, which do not include the annual debt payments, are as follows:

<u>Year Ended December 31</u>	<u>Operating Costs</u>
2012	\$ 6,837,096
2013	7,042,209
2014	4,999,236
2015	5,149,213
2016	5,303,690
2017-2021	21,325,946
2022-2026	19,213,230
2027	<u>4,195,297</u>
	<b><u>\$ 74,065,917</u></b>

The estimated total annual debt payments (assuming no early calls or refinancing) are as follows:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,464,976	\$ 1,639,740	\$ 4,104,716
2013	2,587,663	1,518,871	4,106,534
2014	2,699,892	1,390,739	4,090,631
2015	2,803,532	1,250,971	4,054,503
2016	2,906,094	1,105,762	4,011,856
2017-2021	8,436,734	3,742,670	12,179,404
2022-2026	7,916,370	1,772,417	9,688,787
2027	<u>1,840,575</u>	<u>96,630</u>	<u>1,937,205</u>
	<b><u>\$ 31,655,836</u></b>	<b><u>\$ 12,517,800</u></b>	<b><u>\$ 44,173,636</u></b>

# TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

## NOTES TO FINANCIAL STATEMENTS

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The MPPA and its member utilities were over-charged on their power sales contract agreements. Because of this, MPPA and the member utilities have established a trust fund ("The Municipal Competitive Trust"). Specific policies have been established by each member regarding the use of these funds. The Department's share of this trust fund was \$1,804,398 as of June 30, 2011.

In December 2010, the Department entered into a 20-year purchase power agreement with Heritage Stoney Corners Wind Farm I, LLC to purchase up to 10 megawatt of electric energy and all associated renewable energy credits. For the year ended June 30, 2011, the Department recognized expenses totaling \$1,892,441.

### 8. RETIREMENT PLAN

Through the City, the Department participates in the Municipal Employees' Retirement System (MERS) defined benefit plan that covers substantially all employees. Annual contributions to the plan are based on actuarial studies performed annually. The Department's contributions to the plan during the year ended June 30, 2011 were \$729,922. The required disclosures related to the plan are provided in the City's financial statements.

### 9. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described above, the Department provides postretirement health insurance premiums in accordance with its personnel policies and union agreements. The benefit includes payment of the retirees' premiums until they reach the age of Medicare eligibility. The Department paid \$164,651 for 36 participants in 2011.

The Department participates in the City's Municipal Employees' Retirement System retiree health funding vehicle that covers substantially all employees. Annual contributions to the plan are based on actuarial studies performed bi-annually. The Department's contribution to the plan for the fiscal year ended June 30, 2011 was \$210,535. The required disclosures related to the plan are provided in the City's financial statements. The Department's share of the City's other postemployment benefit asset at June 30, 2011 was \$308,926.

### 10. COMMITMENTS

In September 1994, the Department purchased the distribution facilities located within the City of Traverse City from Consumers Power Company ("Consumers") for \$840,000. The purchase was made in connection with the settlement of litigation initiated by the Department against Consumers. The purchase was completed under the auspices of the Michigan Public Service Commission and approved by the Department's Board. The Department will take possession of these facilities in three stages, one remaining stage will occur in September 2014.

#### Property

During fiscal 2003-04, the Department entered into an agreement with Maritime Heritage Alliance to lease a Department owned coal dock. The lease requires annual rental payments of \$1. Under the lease agreement, the lessee must maintain the property, carry adequate insurance and pay all assessments and property taxes on the property. The fair value of the lease is not considered by management to be significant in any one year and, therefore, is not recorded as contributed revenue and lease expense. This lease expires July 2023.

# TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

## NOTES TO FINANCIAL STATEMENTS

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### 11. CONTINGENCIES

In the normal course of business, the Department becomes a party in various legal actions and claims, some of which are uninsured. While the outcome of these actions and claims is not expected to have a material effect on the financial position of the Department, the Board has established a designation of \$4,198,398 within unrestricted net assets at June 30, 2011 to cover the potential impact of current and future uninsured claims.

The Department participates in federally assisted grant programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Department expects such amounts, if any, to be immaterial.

### 12. RISK OF LOSS

The Department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Department is covered for these losses through the City via the Michigan Municipal Liability and Property Pool, Michigan Municipal Workers Compensation Self Insurance Fund and commercial health insurance. The Department has had no settled claims resulting from these risks that exceeded their coverage in any of the past three years.

### 13. DESIGNATIONS OF NET ASSETS

The following are designations of net assets established by the Board:

	<u>June 30,</u> <u>2011</u>
Emergencies	\$ 100,056
Uninsured claims	4,198,398
Capital expansion	<u>10,075,000</u>
<b>Total</b>	<b><u>\$14,373,454</u></b>

### 14. SUBSEQUENT EVENTS

The MPPA Board approved the refunding of the outstanding revenue bonds relating to the Kalkaska Combustion Turbine Project to take advantage of lower interest rates that will save approximately \$1.8 million in bond payments over the life of the bonds. The October 2011 refunding of the outstanding bonds will save approximately \$110,000/year for the Department's entitlement share in the Project.

# TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

## NOTES TO FINANCIAL STATEMENTS

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### 15. GASB PRONOUNCEMENTS

In December 2010, The Governmental Accounting Standards Board issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

In June 2011, the Governmental Accounting Standards Board issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Department is currently evaluating the impact this standard will have on the financial statements when adopted. The Department will implement Statement No. 63 beginning with the fiscal year ended June 30, 2013.

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## **SUPPLEMENTARY INFORMATION**

## TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

### SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2011

	Capital Assets - Cost			Balance at June 30, 2011
	Balance at June 30, 2010	Additions/ Transfers	Deletions/ Transfers	
Land and land improvements				
Land	\$ 478,959	\$ -	\$ -	\$ 478,959
Land - coal dock	245,633	-	-	245,633
Land improvements	82,103	-	-	82,103
<b>Total land and land improvements</b>	<b>806,695</b>	<b>-</b>	<b>-</b>	<b>806,695</b>
Buildings and improvements				
Brown Bridge	1,734	-	1,734	-
Distribution plant	3,920,769	-	-	3,920,769
Office structures	40,878	-	-	40,878
Other buildings	49,268	-	-	49,268
<b>Total buildings and improvements</b>	<b>4,012,649</b>	<b>-</b>	<b>1,734</b>	<b>4,010,915</b>
Equipment and distribution system				
Union St. Dam	24,010	-	-	24,010
Keystone plant	390	-	-	390
Brown Bridge	118,532	-	118,532	-
Wind generation unit	785,616	-	-	785,616
Transmission and distribution	48,158,937	1,493,085	-	49,652,022
General	694,030	231,246	-	925,276
<b>Total equipment and distribution system</b>	<b>49,781,515</b>	<b>1,724,331</b>	<b>118,532</b>	<b>51,387,314</b>
<b>Construction in progress</b>	<b>49,239</b>	<b>1,154,707</b>	<b>476,926</b>	<b>727,020</b>
<b>Total</b>	<b>\$ 54,650,098</b>	<b>\$ 2,879,038</b>	<b>\$ 597,192</b>	<b>\$ 56,931,944</b>

Balance at June 30, 2010	Accumulated Depreciation		Balance at June 30, 2011	Capital Assets - Net
	Current Depreciation	Deletions		Balance at June 30, 2011
\$ -	\$ -	\$ -	\$ -	\$ 478,959
-	-	-	-	245,633
-	-	-	-	82,103
-	-	-	-	<b>806,695</b>
1,573	52	1,625	-	-
847,382	117,623	-	965,005	2,955,764
5,150	1,226	-	6,376	34,502
5,173	1,478	-	6,651	42,617
<b>859,278</b>	<b>120,379</b>	<b>1,625</b>	<b>978,032</b>	<b>3,032,883</b>
19,149	721	-	19,870	4,140
325	12	-	337	53
92,763	3,556	96,319	-	-
332,608	23,569	-	356,177	429,439
16,435,528	1,503,983	-	17,939,511	31,712,511
228,024	79,861	-	307,885	617,391
<b>17,108,397</b>	<b>1,611,702</b>	<b>96,319</b>	<b>18,623,780</b>	<b>32,763,534</b>
-	-	-	-	<b>727,020</b>
<b>\$ 17,967,675</b>	<b>\$ 1,732,081</b>	<b>\$ 97,944</b>	<b>\$ 19,601,812</b>	<b>\$ 37,330,132</b>

**TRAVERSE CITY LIGHT AND POWER**

(A Component Unit of the City of Traverse City, Michigan)

**SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION  
FIBER FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	Capital Assets - Cost			Balance at June 30, 2011
	Balance at June 30, 2010	Additions/ Transfers	Deletions/ Transfers	
<b>Equipment and distribution system</b>				
Overhead	\$ 986,830	\$ 26,575	\$ -	\$ 1,013,405
Underground	221,587	-	-	221,587
Termination boxes	346,392	-	-	346,392
Wireless equipment	51,725	-	-	51,725
Other property	44,178	-	-	44,178
<b>Total equipment and distribution system</b>	<b>1,650,712</b>	<b>26,575</b>	<b>-</b>	<b>1,677,287</b>
<b>Construction in progress</b>	<b>33,741</b>	<b>46,665</b>	<b>26,575</b>	<b>53,831</b>
<b>Total</b>	<b>\$ 1,684,453</b>	<b>\$ 73,240</b>	<b>\$ 26,575</b>	<b>\$ 1,731,118</b>



<u>Balance at June 30, 2010</u>	<u>Accumulated Depreciation</u>		<u>Balance at June 30, 2011</u>	<u>Capital Assets - Net</u>
	<u>Current Depreciation</u>	<u>Deletions</u>		<u>Balance at June 30, 2011</u>
\$ 91,781	\$ 50,006	\$ -	\$ 141,787	\$ 871,618
21,314	11,079	-	32,393	189,194
33,120	17,320	-	50,440	295,952
5,172	2,586	-	7,758	43,967
6,757	4,418	-	11,175	33,003
<u>158,144</u>	<u>85,409</u>	<u>-</u>	<u>243,553</u>	<u>1,433,734</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,831</u>
<u>\$ 158,144</u>	<u>\$ 85,409</u>	<u>\$ -</u>	<u>\$ 243,553</u>	<u>\$ 1,487,565</u>

# TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

## SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2011

	Amended Budget	Actual	Positive (Negative) Variance
<b>Operating revenues - sales</b>			
Residential	\$ 5,212,000	\$ 5,421,674	\$ 209,674
Commercial	13,375,000	13,587,206	212,206
Industrial	7,922,000	8,321,852	399,852
Public authority	222,500	232,115	9,615
Street lighting	189,500	199,785	10,285
Yard lights	85,000	82,004	(2,996)
	<b>27,006,000</b>	<b>27,844,636</b>	<b>838,636</b>
<b>Other operating revenues</b>			
Forfeited discounts	50,000	55,757	5,757
Merchandise and jobbing	64,000	145,548	81,548
Sale of scrap	10,000	18,682	8,682
Recovery of bad debts	500	80	(420)
MISO income	1,500,000	1,891,263	391,263
Miscellaneous	14,500	25,492	10,992
	<b>1,639,000</b>	<b>2,136,822</b>	<b>497,822</b>
<b>Non-operating revenues</b>			
Federal grant	-	250,000	250,000
State grant	15,000	27,623	12,623
Rental income	56,050	44,154	(11,896)
Pole rental income	35,650	59,435	23,785
Reimbursements	140,700	271,227	130,527
Interest income	250,000	314,787	64,787
Change in fair market value of investments	-	22,891	22,891
	<b>497,400</b>	<b>990,117</b>	<b>492,717</b>
<b>Total revenues</b>	<b>29,142,400</b>	<b>30,971,575</b>	<b>1,829,175</b>

## TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

### SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CONTINUED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2011

	Amended Budget	Actual	Positive (Negative) Variance
<b>Generation expense</b>			
Wind generator - M-72 Traverse	\$ 37,500	\$ 13,633	\$ 23,867
Wind farm development	-	11,897	(11,897)
Kalkaska combustion turbine	185,000	378,527	(193,527)
Hydrodams			
Brown Bridge dam	4,000	932	3,068
Sabin dam	4,700	885	3,815
Boardman dam	3,700	1,179	2,521
Purchased power			
Power pool	5,600,000	7,087,514	(1,487,514)
Heritage Stoney Corners wind energy	1,250,000	1,892,441	(642,441)
Kalkaska combustion turbine	3,680,000	4,216,734	(536,734)
Campbell 3	3,280,000	3,322,056	(42,056)
Belle River	2,883,000	3,087,679	(204,679)
Coal dock	8,400	4,221	4,179
Trap and transfer	1,000	-	1,000
Union street fish ladder	350	-	350
Professional development	10,000	4,998	5,002
Operation supplies	154,600	46,860	107,740
Communications	6,000	351	5,649
Safety	9,000	4,000	5,000
Miscellaneous	1,750	441	1,309
<b>Total generation expenses</b>	<b>17,119,000</b>	<b>20,074,348</b>	<b>(2,955,348)</b>

# TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

## SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL ( CONTINUED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2011

	<b>Amended Budget</b>	<b>Actual</b>	<b>Positive (Negative) Variance</b>
<b>Distribution expense</b>			
Supervision and engineering	\$ 555,000	\$ 700,400	\$ (145,400)
Substation	130,000	149,903	(19,903)
Overhead lines	315,000	515,483	(200,483)
Load and dispatching	510,000	575,341	(65,341)
Underground lines	295,000	175,280	119,720
Customer installations	21,600	32,985	(11,385)
Electric meters	215,600	202,975	12,625
Street lighting	324,000	277,541	46,459
Plant and structures	235,000	172,101	62,899
Shop labor	139,000	139,682	(682)
Professional development	100,000	135,075	(35,075)
Operation supplies	86,100	94,792	(8,692)
Utilities	87,800	65,802	21,998
Safety	60,000	35,395	24,605
Miscellaneous	9,800	4,211	5,589
<b>Total distribution expense</b>	<b>3,083,900</b>	<b>3,276,966</b>	<b>(193,066)</b>
<b>Transmission expense</b>			
Supervision and engineering	12,000	21,035	(9,035)
Substation	8,000	40,357	(32,357)
Overhead lines	24,100	13,589	10,511
Load and dispatching	93,500	57,954	35,546
MISO	21,000	20,598	402
Miscellaneous	20,000	43,195	(23,195)
<b>Total transmission expense</b>	<b>178,600</b>	<b>196,728</b>	<b>(18,128)</b>

## TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

### SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL ( CONTINUED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Amended Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Customer accounting expense</b>			
Salaries	\$ 157,500	\$ 169,528	\$ (12,028)
Meter reading	134,500	110,158	24,342
Payroll taxes and fringes	170,100	143,843	26,257
Office supplies	5,100	5,888	(788)
Postage	39,000	36,113	2,887
Stationary and printing	11,000	4,405	6,595
Equipment rental	18,500	13,843	4,657
Professional and contractual	12,500	7,993	4,507
Uncollectible accounts	50,000	19,454	30,546
Collection expense	1,000	415	585
Data processing	18,000	19,572	(1,572)
Professional development	3,750	4,690	(940)
Miscellaneous	6,450	9,367	(2,917)
<b>Total customer accounting expense</b>	<u>627,400</u>	<u>545,269</u>	<u>82,131</u>
<b>Public service expense</b>			
Community investment fund	75,000	55,350	19,650
Energy audits	5,000	-	5,000
Public service information	483,700	651,961	(168,261)
<b>Total public service expense</b>	<u>563,700</u>	<u>707,311</u>	<u>(143,611)</u>

## TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

### SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CONCLUDED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2011

	Amended Budget	Actual	Positive (Negative) Variance
<b>General administration expense</b>			
Salaries	\$ 775,000	\$ 760,912	\$ 14,088
Payroll taxes and fringes	203,000	253,317	(50,317)
Professional development	20,000	37,033	(17,033)
Professional and contractual	85,000	74,071	10,929
Office supplies	13,000	7,871	5,129
Fees and per diems	66,500	67,342	(842)
Special services	7,000	10,757	(3,757)
Legal fees	80,000	78,262	1,738
Utilities	10,000	7,833	2,167
Rent	1,500	-	1,500
Printing and publishing	8,500	4,760	3,740
Miscellaneous	12,300	17,908	(5,608)
<b>Total general administration expense</b>	<b>1,281,800</b>	<b>1,320,066</b>	<b>(38,266)</b>
<b>Other expenses</b>			
Insurance - general	90,000	71,315	18,685
City fee	1,450,000	1,511,219	(61,219)
Depreciation and amortization	1,665,000	1,732,081	(67,081)
Loss on disposal of capital asset	-	22,324	(22,324)
<b>Total other expenses</b>	<b>3,205,000</b>	<b>3,336,939</b>	<b>(131,939)</b>
<b>Total expenses</b>	<b>26,059,400</b>	<b>29,457,627</b>	<b>(3,398,227)</b>
<b>Change in net assets</b>	<b>\$ 3,083,000</b>	<b>\$ 1,513,948</b>	<b>\$ (1,569,052)</b>

# TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

## SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL FIBER FUND FOR THE YEAR ENDED JUNE 30, 2011

	Amended Budget	Actual	Positive (Negative) Variance
<b>Operating revenues - sales</b>			
Other sales	\$ 212,800	\$ 183,605	\$ (29,195)
<b>Non-operating revenues</b>			
Reimbursements	86,500	34,392	(52,108)
<b>Total revenues</b>	<b>299,300</b>	<b>217,997</b>	<b>(81,303)</b>
<b>Fiber expenses</b>			
Supervision and engineering	38,200	29,371	8,829
Overhead	1,500	2,753	(1,253)
Underground	-	1,623	(1,623)
Termination boxes	21,000	32,839	(11,839)
Customer installations	18,700	1,700	17,000
Professional development	1,500	7,757	(6,257)
Miscellaneous	92,300	2,054	90,246
<b>Total fiber expenses</b>	<b>173,200</b>	<b>78,097</b>	<b>95,103</b>
<b>Other expenses</b>			
Insurance and bonds	-	1,263	(1,263)
City fee	10,600	9,180	1,420
Depreciation and amortization	99,500	85,409	14,091
<b>Total other expenses</b>	<b>110,100</b>	<b>95,852</b>	<b>14,248</b>
<b>Total expenses</b>	<b>283,300</b>	<b>173,949</b>	<b>109,351</b>
<b>Change in net assets</b>	<b>\$ 16,000</b>	<b>\$ 44,048</b>	<b>\$ 28,048</b>

## **INTERNAL CONTROL AND COMPLIANCE**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

December 29, 2011

To the Honorable Chairman and Members  
Traverse City Light and Power Board  
City of Traverse City, Michigan

We have audited the financial statements of the business-type activities and each major fund of *Traverse City Light and Power* (the "Department"), a component unit of the City of Traverse City, as of and for the year ended June 30, 2011, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated December 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

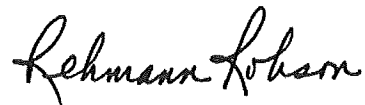
A *deficiency in internal control exists* when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board, others within the Department, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Lehmann Lobson".



TRAVERSE CITY  
LIGHT & POWER

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**To:** Light & Power Board *ERR*  
**From:** Ed Rice, Executive Director  
**Date:** January 20, 2012  
**Subject:** Project Authorization Request – South Side Distribution Substation

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Staff has prepared a packet of information and is requesting authorization from the L&P Board for staff to proceed with the development, design and construction of the South Side Distribution Substation project. This project is identified in the L&P Capital Plan.

Details for this project are included in your packet. Staff will be prepared to answer any questions.

Staff recommends L&P Board approval of the South Side Distribution Substation Project and necessary expenditures in order to provide safe and reliable distribution service to its customers. If the Board concurs, the following motion is appropriate:

**MOVED BY \_\_\_\_\_, SECONDED BY \_\_\_\_\_,  
THAT THE LIGHT AND POWER BOARD AUTHORIZE STAFF TO PROCEED WITH THE  
SOUTH SIDE DISTRIBUTION SUBSTATION PROJECT AND SEEK THE NECESSARY  
BOARD APPROVALS FOR EXPENDITURES.**

**Project Name:** 69/13.8kv South Side Distribution Substation

**Date of Board Presentation/Consideration:** January 24, 2012

**Board Action:** Approved Not Approved No Action

**Budgeted in Capital Plan:** Yes **CIP:** \$5,000,000

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**Objective:** Target Completion date of July 1, 2013

**Project Description:**

Construct a new 12 MVA 69/13.8kv distribution substation and connect to the adjacent 69kv and 13.8kv lines on the south side of the TCL&P electric system. The major substation equipment will include: one 12/16/20 MVA transformer; two 69kv FS<sub>6</sub> breakers; one 69kv circuit switcher; aluminum bus with supporting structures; control house with equipment; five distribution recloser exits and other equipment necessary to connect to the existing 69kv and 13.8kv system.

Site plan development will include other items such as landscape buffer and driveway access.

*Reference: Substation Layout Drawing.*

**Project Purpose and Necessity (Problem We Are Solving):**

As background information, TCL&P has four existing distribution substations, three of which are located on the north half of the system, including one substation located next to the Sara Lee Corporation. TCL&P has not constructed a new distribution substation necessitated by reliability or load increase since 1987 or 25 years ago. The TCL&P load at that time was 40 MW (192,000 MWH and \$13M in annual sales). The current load has increased to 71MW (347,600 MWH and \$28.9M in annual sales). Growth and new development in the community drives the need for critical electrical infrastructure that is safe and reliable.

Load increase on the south part of the system has been the result of Traverse Field Industrial Park; Cherry Capital Airport expansion; developments along South US 31 Corridor, Cass Road s/o S.Airport Road, Barlow/Woodmere area, LaFranier and Garfield corridors. This load growth has increased the loading on all four existing substations and caused long distribution line extensions to serve this load. This has led to numerous outages, particularly to the newer south side loads such as Traverse Field Industrial Park. Due to the length of the distribution circuit in this area which originates from Barlow Substation, this line length exposure and decreased reliability will remain until such time a south side substation is constructed. Traverse Field Industrial Park and other south side customers experienced 4 major interruptions in 2011. This particular circuit has a high outage rate on TCL&P's system compared to other circuits. During

required substation maintenance activities or emergency outages, it is becoming very difficult or impossible to transfer loads without overloading existing substation equipment or distribution circuits. Exceeding equipment ratings is not safe for the public or employees. A catastrophic event at Cass Road substation could cause Sara Lee to experience an extended outage unless other load is shed to restore that service.

Another concern being addressed is associated with the automatic transfer of the Sewage Treatment Facility load onto the “alternate utility source”, being the BW22 distribution circuit from Barlow Substation. An outage event at Hall St Substation or HL22 (“primary utility source” is the HL22 distribution circuit) causes the Sewage Treatment Facility load to transfer to the BW22 circuit. The south side substation will alleviate possible overload conditions on the BW22 distribution circuit and Barlow Substation facilities under these conditions.

TCL&P will be acquiring approximately 2MW of additional load from Consumers Energy in 2014 from a 1998 settlement that adds to the facility loading issues.

*Reference: Substation System Load Maps*

### **Project Benefits:**

This South Side Substation Project will:

- reduce loading on existing substation equipment
- reduce loading on distribution circuits
- prevent unsafe overload of equipment
- provide for a safe working environment for employees
- maintain public safety
- improve reliability to customers
- reduce length of main distribution circuits
- provide safe and efficient load transfer capabilities during planned preventive maintenance/testing and emergency (unplanned or forced) conditions.
- provide necessary distribution capacity (substation and distribution circuits) to support existing and future load growth in a critical section of TCL&P’s service area

### **Other Alternatives:**

- None viable that will meet planning objectives

Staff has reviewed loading on other existing distribution substations and distribution circuits, and reviewed circuit configurations for possible improvements or changes. These facilities cannot be improved to the extent necessary in order to fully meet prudent utility planning objectives. It should be pointed out that the physical boundaries of Boardman Lake and the Airport have a direct (negative) impact on the configuration of the distribution grid and interconnections between substations.

**Timing of Project (Why Now):**

This project has been in the capital plan for several years. Initially there was some consideration given to siting the substation north of South Airport Road. However, finding an appropriate site proved difficult and expensive in this area. The recent recession allowed staff additional time to find a viable site. In December 2011 staff acquired a 12 month option to purchase property, which allows the necessary time to perform due diligence on the property and complete site plan approval with Garfield Township. Other activities will include final design, preparation of bids, material procurement and construction with a target completion date of July 1, 2013. The in-service date will coordinate well with the planned load transfer from Consumers Energy scheduled for 2014 and the recent recovery and increase in TCL&P system demand.

*Reference: Historical TCL&P Demand*

**Project Timeline (Gant Charts) and Expenditures**

	<u>Quantity</u>	<u>Cost</u>	<u>Prelim. Board Approval Date</u>
• Property	-	530k	February 2012
• Engineering/Design/Const Mgmt	-	290k	February 2012
• Site Work	-	125k	August 2012
• T&D Material	-	573k	September 2012
• T&D Constrtn Contract	1	416k	September 2012
• Transformer	1	650k	October 2012
• 15kv Reclosures	5	100k	October 2012
• Circuit Breakers	2	98k	October 2012
• Relaying/control panels	5	82k	October 2012
• 69kv Switches.	9	54k	October 2012
• Circuit Switcher	1	48k	October 2012
• Control House	1	48k	October 2012
• Substation Constrtn Contract	1	563k	February 2013
• Contingency (10%)	-	267k	

**Preliminary Engineering Cost Estimate:**                      \$3.8 M      Completion date of July 1, 2013

**Financing Method:**

Cash from TCL&P fund balance as planned for. Bonding will not be required.

**Additional Revenues:**

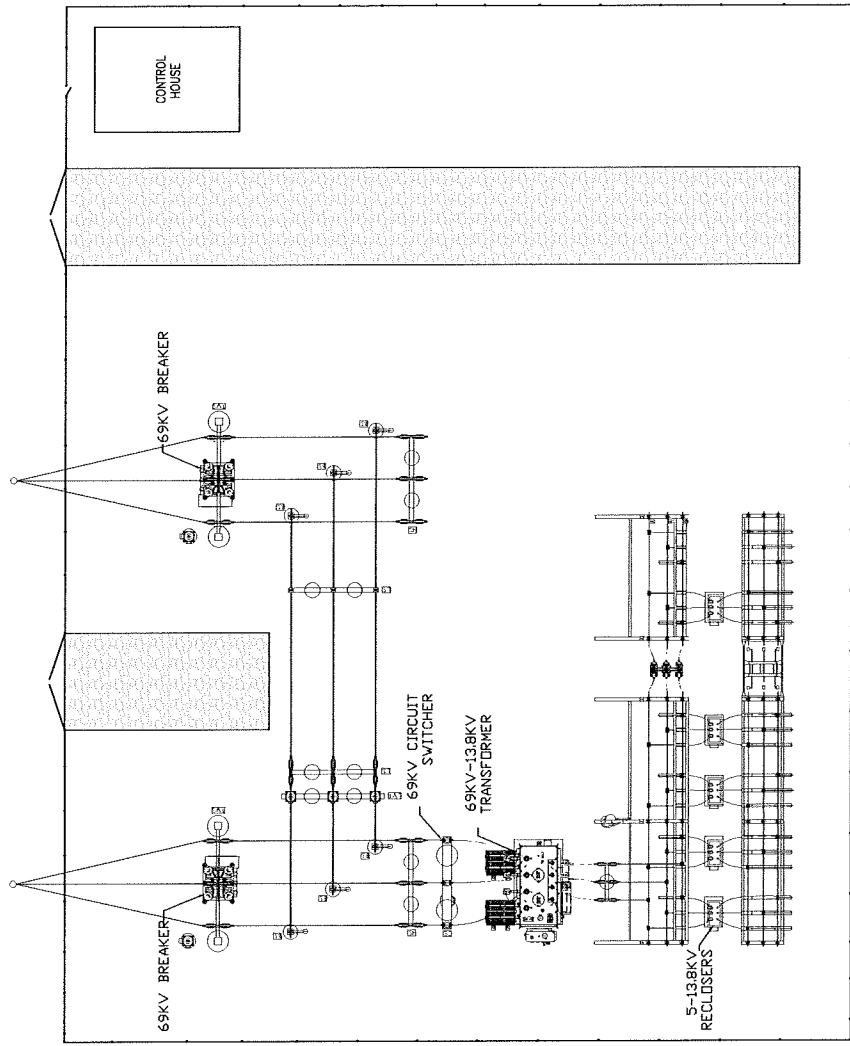
Estimated distribution (customer) load served off this facility will be 29,433,600 kwh per year or annual sales of \$ 1.8 M. Annual load growth is estimated between 1 and 2 percent per year as well as additional load transfer from Consumers Energy in 2014. Additional revenues will be minimal and based on future load growth.

**Impact on O&M Expenses:**

Existing labor force will operate (TCL&P System Control Center) and perform normal monthly substation inspections (Line Department). Major Substation equipment can last as long as 50 years with proper maintenance and normal loading conditions. The major maintenance activities at a substation includes periodic preventive maintenance and testing of the power transformer, breakers, and reclosers, generally on a five year cycle at a cost of approximately \$40,000 for outside services.

**Staff Recommendation:**

Staff recommends L&P Board approval of the South Side Substation Project and necessary expenditures in order to provide safe and reliable distribution service to its customers.



CONCEPTUAL SUBSTATION LAYOUT

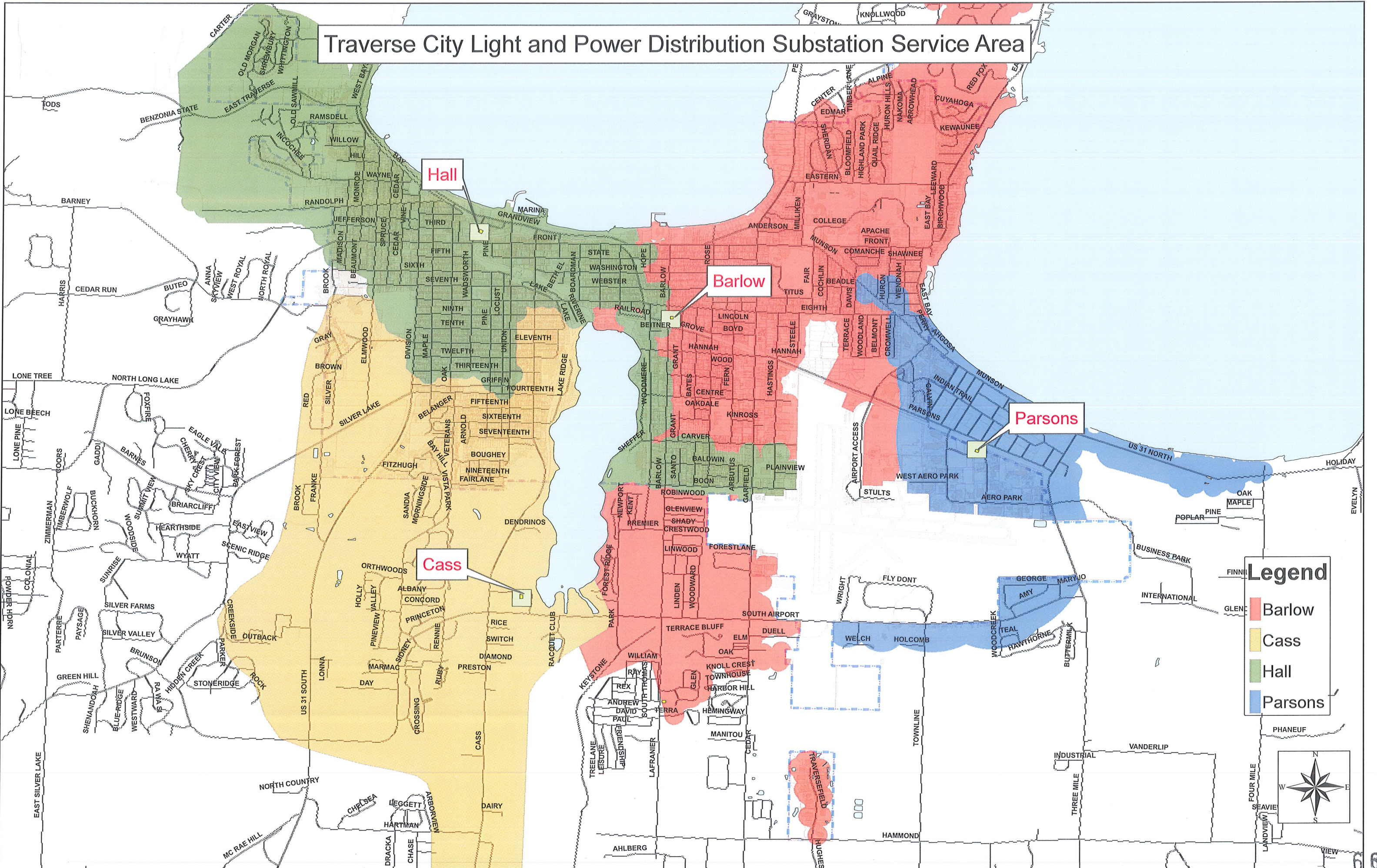


## Historical TCL&P Demand (Kilowatts)

Calendar Year	Demand (kW)
1988	40,305
1989	40,084
1990	38,925
1991	42,693
1992	41,200
1993	40,022
1994	43,546
1995	47,319
1996	46,778
1997	47,058
1998	54,314
1999	54,003
2000	54,775
2001	64,705
2002	63,290
2003	63,432
2004	61,028
2005	68,072
2006	72,229
2007	69,567
2008	64,936
2009	65,366
2010	66,097
2011	70,648

Compiled: 12-Jan-12  
By: Glen Dine

# Traverse City Light and Power Distribution Substation Service Area



Hall

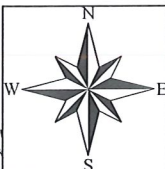
Barlow

Parsons

Cass

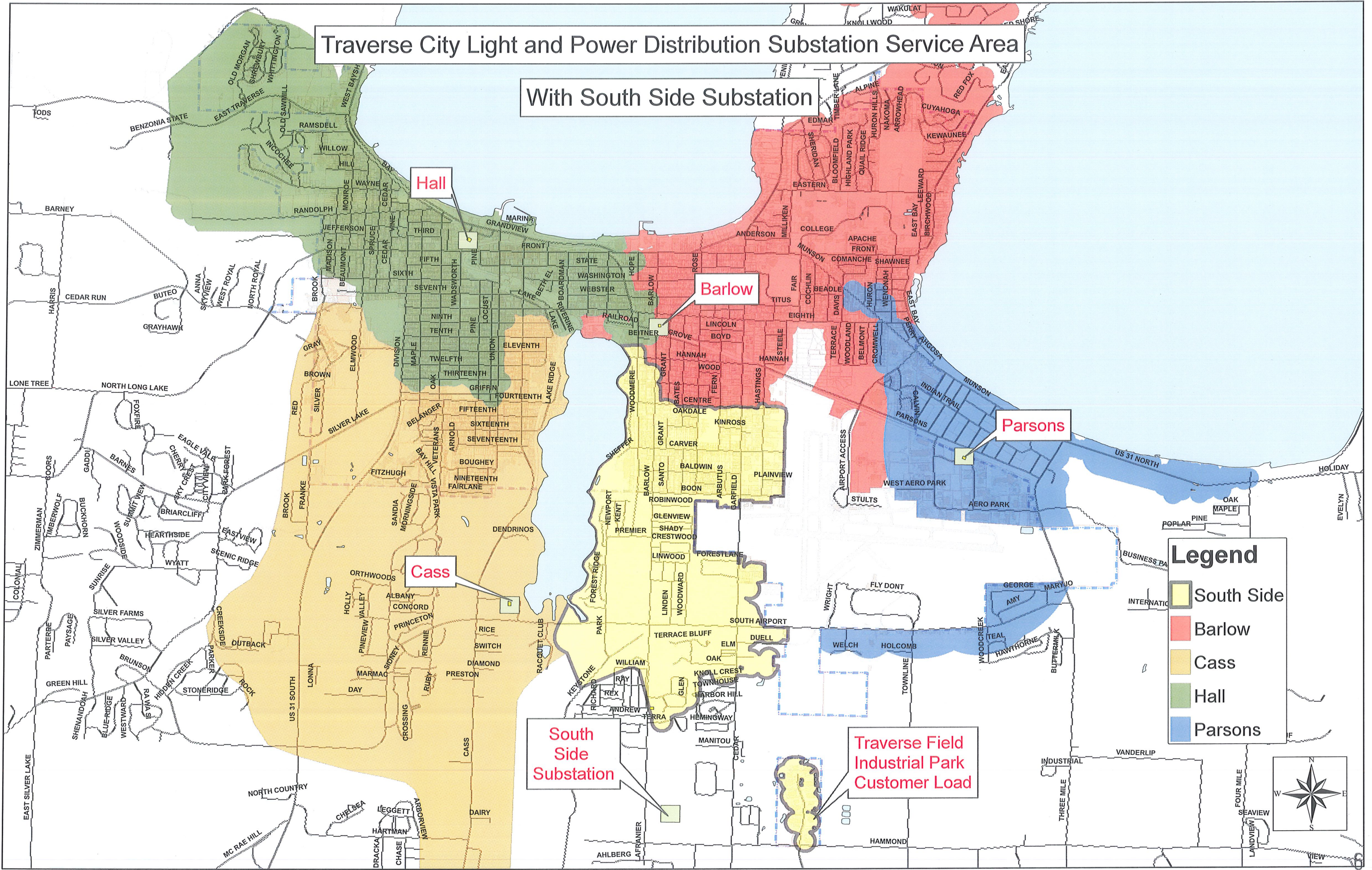
## Legend

- Barlow
- Cass
- Hall
- Parsons



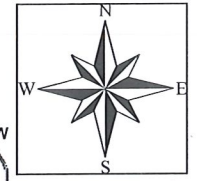
# Traverse City Light and Power Distribution Substation Service Area

## With South Side Substation



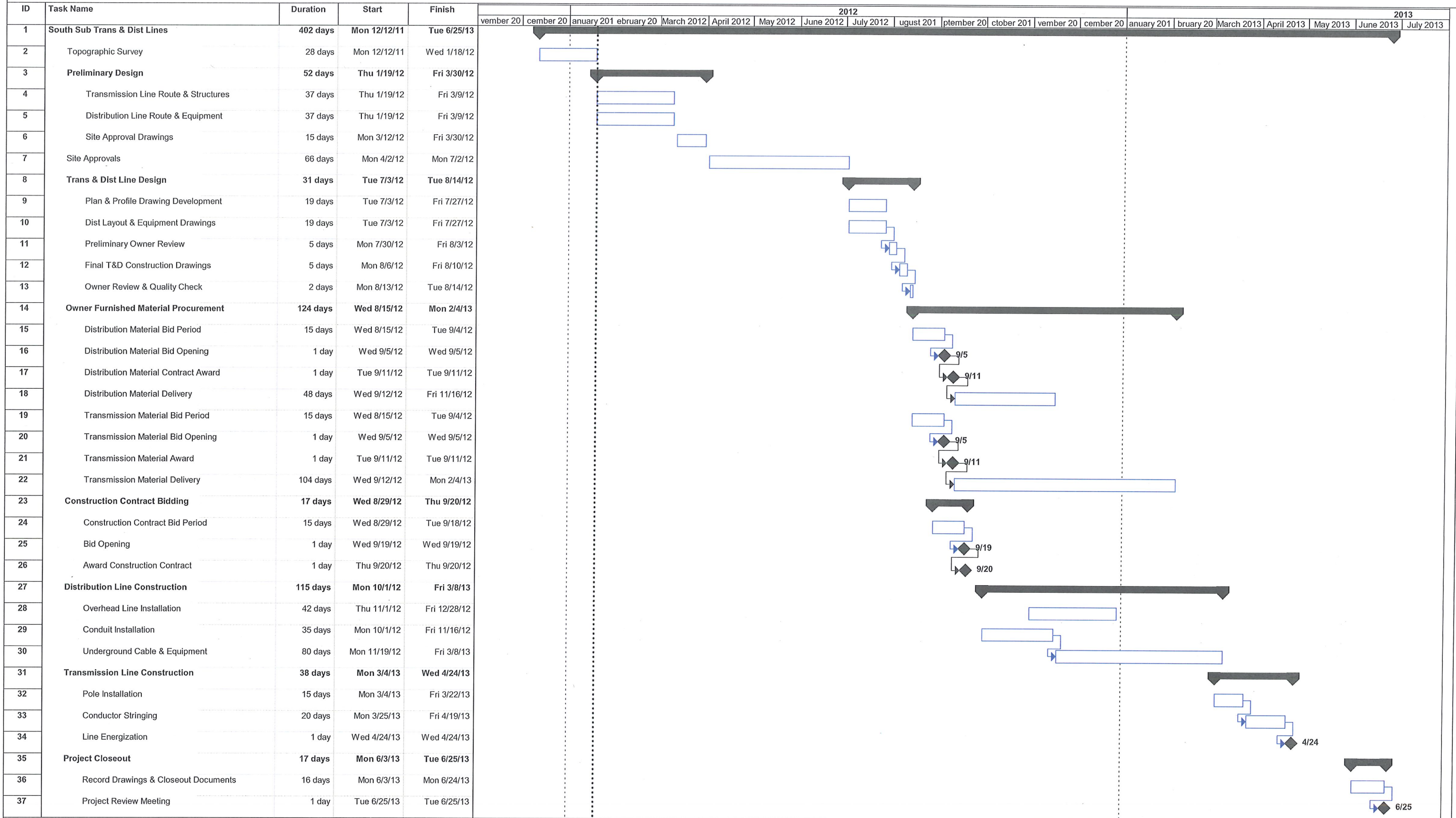
### Legend

- South Side
- Barlow
- Cass
- Hall
- Parsons





**TRAVERSE CITY LIGHT & POWER  
SOUTH SUBSTATION TRANSMISSION & DISTRIBUTION LINES  
PRELIMINARY CONSTRUCTION SCHEDULE**



GRP Engineering, Inc. Thu 1/19/12

Task		Milestone		Rolled Up Task		Rolled Up Progress		Project Summary		Rolled Up Split		Deadline	
Progress		Summary		Rolled Up Milestone		External Tasks		Split		External Milestone			

[COMPOSITE CONFORMED COPY]

PROJECT SUPPORT CONTRACT

BETWEEN

MICHIGAN PUBLIC POWER AGENCY

AND

[ADDRESSED SEPARATELY TO EACH  
PARTICIPANT AS SET FORTH IN ANNEX 1 HERETO]

BELLE RIVER

PROJECT SUPPORT CONTRACT

This BELLE RIVER PROJECT SUPPORT CONTRACT is made and entered into as of the first day of December, 1982, by and between MICHIGAN PUBLIC POWER AGENCY, a body corporate and politic of the State of Michigan created pursuant to Act 448 of the Public Acts of Michigan of 1976 ("MPPA") and [ADDRESSED SEPARATELY TO EACH PARTICIPANT AS SET FORTH IN ANNEX 1 HERETO] (the "Participant").

WHEREAS, MPPA was organized under Act 448 of the Public Acts of Michigan of 1976 (the "Act") 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, MPPA is empowered by the Act (i) to acquire and construct facilities for the generation, transmission or transformation, or a combination thereof, of electric power and energy, or to acquire an interest in any such facilities; (ii) to purchase, sell, transmit or otherwise use electric power and energy within or without the State of Michigan; (iii) to issue its revenue bonds to pay all or part of the cost of acquiring facilities for the generation, transmission or transformation, or a combination thereof, of electric power and energy; and (iv) to exercise all other powers not inconsistent with the laws of the State of Michigan or the United States of America which may be necessary or appropriate for, or incidental to, the effectuation of its authorized purposes; and

WHEREAS, the member municipalities of MPPA are empowered by

the Act to contract to make payments to MPPA out of funds legally available to the member municipality and to advance or contribute funds to MPPA to enable MPPA to carry out any of its powers and duties; and

WHEREAS, MPPA will enter into the Belle River Participation Agreement dated as of December 1, 1982 with The Detroit Edison Company, pursuant to which MPPA will purchase an undivided interest in, and will be entitled to a portion of the electric power and energy derived from, those electric generating and other facilities described and designated in the Power Sales Contract referred to below as Belle River; and

WHEREAS, MPPA will enter into the Belle River Transmission Ownership and Operating Agreement dated as of December 1, 1982 with The Detroit Edison Company, pursuant to which MPPA will purchase an undivided interest in certain 120 kV and higher voltage transmission lines designated in such agreement as the Designated Transmission Lines; and

WHEREAS, MPPA will enter into the Belle River Transmission Ownership and Operating Agreement dated as of December 1, 1982 with Consumers Power Company, pursuant to which MPPA will purchase an undivided interest in certain 345 kV or higher voltage transmission lines designated in such agreement as the Designated EHV Transmission Lines; and

WHEREAS, MPPA will enter into a Power Sales Contract dated the date hereof with the Participant and enter into substantially similar binding contracts with the other Participants providing for the sale of (i) power and energy from those facilities described and



designated in the Power Sales Contracts as the Belle River Project and (ii) Back-Up Capacity and Back-Up Energy as described in the Power Sales Contracts; and

WHEREAS, the Power Sales Contracts require payment to be made only for Months when power and energy are being made available; and

WHEREAS, in order to assure a continuity for the Belle River Project by providing support for the payment by MPPA of costs of the Belle River Project, it is necessary for MPPA to have substantially similar binding contracts with the Participant and the other member municipalities of MPPA which are participating in the Belle River Project to provide for the payment of fixed costs relating to the Belle River Project during periods when all such costs are not required to be paid pursuant to the terms of the Power Sales Contracts and to pledge the payments required to be made in accordance with this contract and substantially similar contracts as security for the payment of revenue bonds;

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. Definitions and Explanations of Terms.

Unless the context indicates that another meaning is intended, except as otherwise defined herein, when used in this Project Support Contract, including the Preamble, the words which are defined in the Power Sales Contracts shall have the meaning set forth in the Power Sales Contracts and the following words shall have the following meanings:

Participants shall mean the parties, including the

Participant, other than MPPA, to Project Support Contracts substantially similar hereto and named on the Schedule of Participants attached to the Power Sales Contract.

Project Support Contracts shall mean this Belle River Project Support Contract and the other Belle River Project Support Contracts between MPPA and the other Participants, all of which are uniform in all material respects in their terms, conditions and provisions.

Project Support Month shall mean any Month during which Belle River is wholly out of service for the entire Month and during which no Back-Up Entitlement Take is made available to the Participant under the Power Sales Contract.

Project Support Payment shall mean, with respect to any Project Support Month, an amount equal to the amount the Participant would have been required to pay under the Power Sales Contract for such Month if Belle River had been in service during any part of such Month for Monthly Power Costs, Monthly Transmission Costs, Monthly Back-Up Costs and Transmission Utilization Adjustment Costs.

SECTION 2. Term of Contract.

This Project Support Contract shall become effective upon execution and delivery of Project Support Contracts and Power Sales Contracts by all Participants and shall continue for the term of the Participant's Power Sales Contract.

SECTION 3. Participant's Project Support.

(a) With respect to each Project Support Month, the Participant shall make a Project Support Payment to MPPA.

(b) Project Support Payments required to be made by the Participant pursuant to subsection (a) of this Section

3 shall be computed in the same manner as provided for Monthly Power Costs, Monthly Transmission Costs, Monthly Back-Up Costs and Transmission Utilization Adjustment Costs in Section 4 of the Power Sales Contract.

(c) On or before the 10th day of the Month following each Project Support Month, MPPA shall render to the Participant a monthly statement showing, with respect to the preceding Project Support Month, the amount of the Project Support Payment payable to MPPA by such Participant for such Project Support Month.

(d) Project Support Payments required to be paid to MPPA pursuant to this Section 3 shall be 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 following the Project Support Month for which such Project Support Payments are made.

(e) 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 the annual percentage rate of interest being charged on such day for 90-day loans to substantial and responsible borrowers by the National Bank of Detroit, plus 1%, or the maximum rate lawfully payable by the Participant, whichever is less. If said due date is Saturday, Sunday or a holiday, the next following business day shall be the last day on which payment may be made without the addition of the delayed-payment charge.

(f) In the event of any dispute as to any portion of any monthly 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. Such notice shall identify the disputed bill, state the amount in dispute and set forth a full statement of the grounds on which such dispute is based. No adjustment shall be considered or made for disputed charges unless notice is given as aforesaid. MPPA shall give consideration to such dispute and shall advise the Participant with regard to its position relative thereto 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 correct amount and such full amount shall be promptly refunded to the Participant.

(g) On or before 180 days after the end of each Contract Year MPPA shall submit to the Participant a detailed statement of the actual aggregate Project Support Payments and any adjustments thereof or credits thereto resulting from the adjustments of or credits to Monthly Power Costs, Monthly Transmission Costs, Monthly Back-Up Costs and Transmission Utilization Adjustment Costs pursuant to the Power Sales Contract, all computed in accordance with Section 4 of the Power Sales Contract. If, on the basis of the statement rendered pursuant to this paragraph (g) the actual aggregate Project

Support Payments and any adjustments thereof or credits thereto exceed the Project Support Payments paid by the Participant during such Contract Year, the Participant shall pay MPPA promptly the amount of such excess. If, on the basis of the statement rendered pursuant to this paragraph (g) the actual aggregate Project Support Payments and any adjustments thereto or credits thereto are less than the amount paid, MPPA shall refund to the Participant promptly the amount of such over-payments.

(h) The obligation of the Participant to make Project Support Payments shall be absolute and unconditional and shall not be dependent upon performance of MPPA under the Power Sales Contract or this Project Support Contract; Project Support Payments shall be made whether or not Belle River 1 is completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the output of Belle River for any reason whatsoever in whole or in part, and such Project Support Payments shall not be subject to any reduction, whether by offset, counterclaim or otherwise.

(i) The obligation of the Participant to make payments under this Section 3 shall constitute an obligation payable solely from the revenues of the Participant's electric system, subject and subordinate to payments of debt service on revenue bonds payable from and secured by a pledge of net revenues of the Participant's electric system.

SECTION 4. Reimbursement for Project Support Payments.

MPPA agrees to reimburse the Participant for all Project Support Payments made with respect to Project Support Months during which no Back-Up Capacity or Back-Up Energy was made available to any Participant under any Power Sales Contract. Such reimbursement shall be made only to the extent that moneys are available for such purposes in the Project Account in the General Reserve Fund held under the Bond Resolution. If moneys in the Project Account in the General Reserve Fund held under the Bond Resolution are not sufficient to reimburse all Participants pursuant to their Project Support Contract, reimbursement payments shall be divided pro rata among the Participants in accordance with the total amount of reimbursements due to each Participant. The Participant shall not be entitled to reimbursement for any Project Support Payments made with respect to Project Support Months during which Back-Up Entitlement Take was available to any Participant.

SECTION 5. Participant Covenants.

(a) The Participant agrees to maintain its electric system in good operating order, to cooperate with MPPA in the performance of the respective obligations of such Participant and MPPA under this Project Support Contract and to fix, charge and collect rents, rates, 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 Project Support

Contract and to pay other amounts payable from or constituting a charge and lien upon such revenues, including amounts sufficient to pay the principal of and interest on all revenue bonds related to the Participant's electric system and, to the extent being paid from revenues of such electric system, all general obligation bonds of the Participant now outstanding or hereafter issued for purposes related to its electric system.

(b) Except with respect to (i) operation, maintenance, renewal and replacement expenses of the Participant's electric system, (ii) revenue bonds which have been issued or are hereafter issued under the Michigan Revenue Bond Act (Act 94, Public Acts of Michigan, 1933, as amended) and (iii) payments required to be made into funds established under the ordinance or resolution authorizing such revenue bonds and payments required pursuant to such ordinance or resolution from the revenues held thereunder, the Participant agrees that it will not issue bonds, notes, or other evidences of indebtedness, enter into any contract or agreement or incur any expense payable from or secured by revenues of the Participant's electric system prior to the Project Support Payments required to be made by the Participant pursuant to Section 3.

(c) If the Participant has revenue bonds outstanding payable from and secured by a pledge of net revenues of its electric system, the Participant agrees that, in connection with any financial tests or conditions for the issuance of additional revenue bonds payable from and secured by a

pledge of net revenues of its electric system, the Participant shall treat all payments to MPPA under this Project Support Contract as operating expenses for purposes of computing the amount of net revenues available for the payment of such outstanding revenue bonds and such additional revenue bonds.

(d) The Participant agrees to keep accurate records and accounts relating to the conduct of its business and shall keep separate and distinct from its other records and accounts accurate records and accounts relating to this Project Support Contract. The accounts shall be audited annually by a firm of certified public accountants, experienced in electric utility accounting, to be employed by the Participant.

(e) The Participant agrees that it will not assign its Power Sales Contract except in accordance with the terms thereof and except in conjunction with the assignment by the Participant of, and the assumption by any assignee of the obligations of the Participant under, this Project Support Contract.

(f) If the Participant does not have revenue bonds outstanding on the date of this Project Support Contract payable from and secured by a pledge of net revenues of its electric system, the Participant agrees that it will not issue any such revenue bonds unless an independent consulting engineer or engineering firm or corporation experienced in



analyzing the operations of electric utility systems certifies that the facilities being financed by such revenue bonds are (or were when the Participant committed itself to such facilities by contract or financing) reasonably expected to properly and advantageously contribute to the conduct of the Participant's electric system in an efficient and economical manner consistent with prudent management.

SECTION 6. Opinion of Counsel.

The Participant shall, concurrently with the execution and delivery of this Project Support Contract, cause an opinion or opinions in form and substance satisfactory to MPPA to be delivered by one or more attorneys or firms of attorneys satisfactory to MPPA with respect to the authorization, execution and validity of this Project Support Contract as it relates to the Participant, and, if the Participant shall have bonds outstanding secured by a pledge of the revenues of its electric system, the legality under the terms and conditions of the ordinance, resolution, indenture or other contractual arrangement with the holders of such bonds of the performance by the Participant of its covenants and agreements under this Project Support Contract.

SECTION 7. Pledge of payments.

All payments required to be made by the Participant pursuant to the provisions of this Project Support Contract shall be pledged to secure the payment of Bonds.

SECTION 8. Rights of Transfer.

In consideration of the obligation of the Participant to

make Project Support Payments pursuant to Section 3, MPPA agrees, after payment of principal, premium, if any, and interest on the Bonds or after adequate provision for the payment thereof has been made in accordance with the provisions of the Bond Resolution and upon the unanimous request of all Participants, to transfer to each Participant an undivided ownership interest in Belle River, Edison Transmission, Consumers Transmission and MPPA's right, title and interest in the Belle River Participation Agreement, the Edison Transmission Agreement and the Consumers Transmission Agreement, in the proportion that such Participant's Power Entitlement Share bears to the aggregate of the Power Entitlement Shares of all Participants.

SECTION 9. Event of Default.

Failure of the Participant to pay to MPPA any Project Support Payment payments when due shall constitute an immediate default on the part of the Participant.

SECTION 10. Continuing Obligation.

In the event of any default referred to in Section 9, 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 against the Participant any covenant, agreement or obligation to make any Project Support Payment for which provision is made in this Project Support Contract.

SECTION 11. Other Default By Participant.

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 make all Project Support Payments or in the event of any default by the Participant under any other covenant, agreement or obligation of this Project Support Contract, 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 Project Support Contract against the Participant.

SECTION 12. Abandonment of Remedy.

In case any proceeding taken on account of any default shall have been discontinued or abandoned for any reason, the parties to such proceedings 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 13. 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 Project Support Contract, shall not be a waiver with respect to any subsequent default, right or matter.

SECTION 14. Assignment of Project Support Contract; Sale of Participant's System.

(a) This Project Support Contract shall inure to the

benefit of and shall be binding upon the respective successors and assigns of the parties of this Project Support Contract; provided, however, that, except for the assignment by MPPA authorized hereby, neither this Project Support Contract nor any interest herein shall be transferred or assigned by either party hereto except in conjunction with the assignment by the Participant of its Power Sales Contract in accordance with the terms thereof and except with the consent in writing of the other party hereto, which consent shall not be unreasonably withheld. No assignment or transfer of this Project Support Contract shall relieve the parties of any obligation hereunder.

(b) The Participant acknowledges and agrees that MPPA may assign and pledge to the trustee designated in the Bond Resolution all its right, title, and interest in and to all payments to be made to MPPA under the provisions of this Project Support Contract as security for the payment of the principal (including sinking fund installments) of, premium, if any, and interest on Bonds and may deliver possession of this Project Support Contract to such trustee in connection therewith, and, upon such assignment, pledge and delivery, MPPA may grant to such trustee any rights and remedies herein provided to MPPA, and thereupon any reference herein to MPPA shall be deemed, with the necessary changes in detail, to include such trustee which shall be a third party beneficiary of the covenants and agreements of the Participant herein contained.

(c) The Participant agrees that it will not sell, lease or otherwise dispose of all or substantially all of its electric utility system except upon ninety (90) days prior written notice to MPPA and, in any event, will not sell, lease or otherwise dispose of the same unless the following conditions are met: (i) the Participant shall, subject to the provisions of the Belle River Participation Agreement, the Edison Transmission Agreement and the Consumers Transmission Agreement, assign this Project Support Contract and its rights and interest hereunder to the purchaser or lessee of the electric system, and such purchaser or lessee shall assume all obligations of the Participant under this Project Support Contract; and (ii) MPPA shall by appropriate action determine that such sale, lease or other disposition will not adversely affect the value of this Project Support Contract as security for the payment of Bonds and interest thereon or affect the eligibility of interest on Bonds for federal tax-exempt status.

SECTION 15. Amendment of Contract.

(a) This Project Support Contract shall not be amended, modified, or otherwise altered in any manner that will adversely affect the security for the Bonds afforded by the provisions of this Project Support Contract upon which the owners from time to time of the Bonds shall have relied as an inducement to purchase and hold the Bonds. So long as any of the Bonds are outstanding or until adequate

provisions for the payment thereof have been made in accordance with the provisions of the Bond Resolution, this Project Support Contract shall not be amended, modified, or otherwise altered in any manner which will reduce the payments pledged as security for the Bonds or extend the time of the payments provided herein or which will in any manner impair or adversely affect the rights of the owners from time to time of the Bonds.

(b) No Project Support Contract entered into between MPPA and another Participant may be amended so as to provide terms and conditions different from those herein contained except upon written notice to and written consent or waiver by each of the other Participants, and upon similar amendment being made to the Project Support Contract of any other Participant requesting such amendment after receipt by such Participant of notice of such amendment.

SECTION 16. Applicable Law; Construction.

This Project Support Contract 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 17. Severability.

If any section, paragraph, clause or provision of this Project Support Contract shall be finally adjudicated by a court of competent jurisdiction to be invalid, the remainder of this Project Support Contract 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 Project Support Contract 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

(SEAL)

By /s/ William P. Strom  
Chairperson

Attest:

/s/ Martin J. Hieftje

[EXECUTED SEPARATELY BY EACH PARTICIPANT AS SET FORTH IN ANNEX 1 HERETO]

(SEAL)

By \_\_\_\_\_  
Its \_\_\_\_\_

Attest:

\_\_\_\_\_

ANNEX 1

CITY OF BAY CITY, MICHIGAN

By /s/ Anne R. Hachtel

Attest: /s/ Walter Wozniak, Jr.

CITY OF CHARLEVOIX, MICHIGAN

By /s/ Kenneth A. Staley

Attest: /s/ Deanne Balch

VILLAGE OF CHELSEA, MICHIGAN

By /s/ John W. Merkel

Attest: /s/ Evelyn Rosentreter

CITY OF HART, MICHIGAN

By /s/ William Wells

Attest: /s/ Laverne A. Serne

CITY OF HOLLAND, MICHIGAN

By /s/ Richard W. Smith

Attest: /s/ D. W. Schipper

CITY OF LANSING, MICHIGAN BY AND THROUGH ITS BOARD OF WATER  
AND LIGHT

By /s/ D. A. Nussdorfer

Attest: /s/ Mary Sova

BOARD OF LIGHT & POWER OF THE CITY OF LOWELL, MICHIGAN

By /s/ King Doyle

Attest: /s/ Orville J. McKay



CITY OF PETOSKEY, MICHIGAN

By /s/ Joe C. Kilborn

Attest: /s/ Leona Reissener

CITY OF PORTLAND, MICHIGAN

By /s/ Joseph V. Tichvon

Attest: /s/ Kathleen Smith

LIGHT & POWER BOARD OF THE CITY OF TRAVERSE CITY, MICHIGAN

By /s/ Nancy C. Hayward

Attest: /s/ William P. Strom

CITY OF ZEELAND, MICHIGAN

By /s/ Raymond G. Schaap

Attest: /s/ Mary Richardson

[COMPOSITE CONFORMED COPY]

POWER SALES CONTRACT

BETWEEN

MICHIGAN PUBLIC POWER AGENCY

AND

[ADDRESSED SEPARATELY TO EACH  
PARTICIPANT AS SET FORTH IN ANNEX 1 HERETO]

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BELLE RIVER  
POWER SALES CONTRACT

This BELLE RIVER POWER SALES CONTRACT is made and entered into as of the first day of December, 1982, by and between MICHIGAN PUBLIC POWER AGENCY, a body corporate and politic of the State of Michigan created pursuant to Act 448 of the Public Acts of Michigan of 1976 ("MPPA") and [ADDRESSED SEPARATELY TO EACH PARTICIPANT AS SET FORTH IN ANNEX 1 HERETO] (the "Participant").

WHEREAS, MPPA was organized under Act 448 of the Public Acts of Michigan of 1976 (the "Act") 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, MPPA is empowered by the Act (i) to acquire and construct facilities for the generation, transmission or transformation, or a combination thereof, of electric power and energy, or to acquire an interest in any such facilities; (ii) to purchase, sell, transmit or otherwise use electric power and energy within or without the State of Michigan; (iii) to issue its revenue bonds to pay all or part of the cost of acquiring facilities for the generation, transmission or transformation, or a combination thereof, of electric power and energy; and (iv) to exercise all other powers not inconsistent with the laws of the State of Michigan or the United States of America which may be necessary or appropriate for, or incidental to, the effectuation of its authorized purposes; and

WHEREAS, MPPA will enter into the Belle River Participation Agreement dated as of December 1, 1982 with The Detroit Edison Company, pursuant to which MPPA will purchase an undivided interest in, and will be entitled to a portion of the electric power and energy derived from, those electric generating and other facilities described herein and designated as Belle River; and

WHEREAS, MPPA will enter into the Belle River Transmission Ownership and Operating Agreement dated as of December 1, 1982 with The Detroit Edison Company, pursuant to which MPPA will purchase an undivided interest in certain 120 kV and higher voltage transmission lines designated in such agreement as the Designated Transmission Lines; and

WHEREAS, MPPA will enter into the Belle River Transmission Ownership and Operating Agreement dated as of December 1, 1982 with Consumers Power Company, pursuant to which MPPA will purchase an undivided interest in certain 345 kV or higher voltage transmission lines designated in such agreement as the Designated EHV Transmission Lines; and

WHEREAS, MPPA will take or cause to be taken all steps necessary for acquisition and construction of those facilities described herein and designated as the Belle River Project for the supply of electric power and energy to the Participant and to the other municipalities contracting with MPPA therefor and will sell the power and energy of the Belle River Project pursuant to this Power Sales Contract and pursuant to contracts substantially similar to this contract with such other municipalities or other contracts with

members of MPPA or others who are not Participants; and

WHEREAS, in order to enable MPPA to issue its revenue bonds to pay the cost of acquiring and constructing the Belle River Project it is necessary for MPPA to have substantially similar binding contracts with the Participant and such other municipalities purchasing power and energy of the Belle River Project and to pledge the payments required to be made in accordance with such contracts as security for the payment of the revenue bonds;

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. Definitions and Explanations of Terms.

Unless the context indicates that another meaning is intended, the following words, when used in this Power Sales Contract, including the Preamble and the Schedules, shall have the following meanings:

Back-up Capacity shall mean that capacity to which MPPA is entitled pursuant to the terms of the Belle River Participation Agreement.

Back-up Energy shall mean that energy which MPPA schedules and receives pursuant to the terms of the Belle River Participation Agreement.

Back-up Energy Related Costs shall mean those costs incurred under the Belle River Participation Agreement which are

directly related to the amount of Back-up Energy scheduled and received thereunder and other costs incurred in connection with Back-up Energy which vary with the amount of Back-up Energy produced from time to time, including alternate sources permitted under the Belle River Participation Agreement.

Back-up Entitlement Share shall mean, with respect to each Participant for any Contract Year, that amount of Back-up Capacity shown opposite the name of such Participant on the Schedule of Participants.

Back-up Entitlement Take shall mean, with respect to each Participant for any Contract Year, the amount of Back-up Capacity which such Participant schedules, not less than 13 Months in advance of the commencement of such Contract Year, to take from MPPA, which amount shall not be greater than such Participant's Back-up Entitlement Share.

Belle River shall mean Belle River as such term is defined in the Belle River Participation Agreement.

Belle River 1 shall mean Belle River 1 as such term is defined in the Belle River Participation Agreement.

Belle River 2 shall mean Belle River 2 as such term is defined in the Belle River Participation Agreement.

Belle River Participation Agreement shall mean the Belle River Participation Agreement dated as of December 1, 1982 between MPPA and The Detroit Edison Company, as the same may be amended or supplemented from time to time in accordance with the provisions thereof.



Belle River Project shall mean the ownership interest and contract rights of MPPA in Belle River and Belle River Transmission.

Belle River Project Capability shall mean the amount of Net Electric Capacity and Energy, if any, which Belle River is capable of generating at any particular time (including times when Belle River is not operable or operating or the operation thereof is suspended, interrupted, interfered with, reduced or curtailed, in each case in whole or in part for any reason whatsoever) to which MPPA is entitled under the Belle River Participation Agreement, all determined in accordance with the Belle River Participation Agreement (including amounts sold thereunder as Planned Excess Electric Capability).

Belle River Transmission shall mean certain 120 kV and higher voltage transmission lines and transmission facilities ownership of all or a portion of which has been conveyed to MPPA by The Detroit Edison Company pursuant to the Edison Transmission Agreement and by Consumers Power Company pursuant to the Consumers Transmission Agreement.

Bond Anticipation Notes shall mean notes or other evidences of indebtedness from time to time issued in anticipation of the issuance of Bonds, the proceeds of which have been or are required to be applied to one or more of the purposes for which Bonds could be issued.

Bond Resolution shall mean the Belle River Project Revenue Bond Resolution providing for the issuance of the Bonds, to be adopted by the Board of Commissioners of MPPA in the form of a

draft thereof bearing the date December 8, 1982 and all amendments and supplements thereto adopted in accordance with the provisions thereof, with such changes as to form and substance as are approved by the Board of Commissioners of MPPA.

Bonds shall mean the Bonds from time to time issued by MPPA pursuant to the Bond Resolution to pay any part of the Cost Of Acquisition And Construction of the Belle River Project, whether or not any issue of such Bonds shall be subordinated as to payment to any other issue of Bonds, and shall include additional Bonds and refunding Bonds issued in accordance with this Power Sales Contract and the Bond Resolution.

Commercial Operation Date shall mean, with respect to Belle River, the Commercial Operation Date as such term is defined in the Belle River Participation Agreement.

Consumers Transmission Agreement shall mean the Belle River Transmission Ownership and Operating Agreement dated as of December 1, 1982, between MPPA and Consumers Power Company, as the same may be amended or supplemented from time to time in accordance with the provisions thereof.

Consumers Transmission Cost Factor shall mean, with respect to each Participant, the factor (expressed as a percentage) shown opposite the name of such Participant in the Schedule of Participants which specifies such Participant's proportionate share of Monthly Transmission Costs based on (i) such Participant's Transmission Entitlement Share, (ii) such Participant's right to acquire trans-

mission ownership at net or gross plant, as appropriate, and (iii) the voltage level of such Participant's Point of Delivery.

Contract Year shall mean the twelve (12) month period commencing at 12:01 a.m. on January 1 of each year, except that the first Contract Year shall commence on the first to occur of (i) the date to which all interest is capitalized with respect to all Bonds, (ii) the date which is twelve months prior to the date on which the first principal installment on any of the Bonds is due or (iii) the Commercial Operation Date of Belle River 1.

Cost Of Acquisition And Construction shall mean, to the extent not included in Monthly Power Costs or Monthly Transmission Costs, all costs of planning, engineering, financing, constructing, acquiring and placing the Belle River Project in operation, whether heretofore or hereafter paid or incurred by MPPA, including amounts paid to The Detroit Edison Company under the Belle River Participation Agreement and the Edison Transmission Agreement and to Consumers Power Company under the Consumers Transmission Agreement for any cost or expense which would be a Cost Of Acquisition And Construction if paid or incurred by MPPA, all as contemplated by the term "Costs of Acquisition and Construction" as defined in the Bond Resolution, which shall include, but shall not be limited to, funds for:

(1) interest accruing in whole or in part on Bonds prior to and during construction and for such additional period as MPPA may reasonably determine to be necessary for placing the Belle River Project in operation in accordance with the provisions of the Bond Resolution;

- (2) the acquisition of a fuel stockpile for the Belle River Project;
- (3) the working capital requirements of the Belle River Project;
- (4) the deposit or deposits required to be made under the Bond Resolution from the proceeds of Bonds into any fund or account established pursuant to the Bond Resolution to meet Debt Service reserve requirements for Bonds;
- (5) the deposit or deposits required to be made under the Bond Resolution from the proceeds of Bonds into any fund or account established pursuant to the Bond Resolution as a reserve for renewals, replacements and contingencies and retirement from service or disposal of any facilities of the Belle River Project, including restoration of lands with respect thereto, or as a general reserve;
- (6) all federal, state and local taxes and payments in lieu of taxes required to be paid under the Belle River Participation Agreement, the Edison Transmission Agreement and the Consumers Transmission Agreement or otherwise legally required to be paid in connection with the acquisition and construction of the Belle River Project;
- (7) all costs relating to claims or judgments arising out of construction of the Belle River Project;
- (8) all planning and development costs, engineering fees, contractors' fees, costs of obtaining governmental or regulatory permits, licenses and approvals, costs of real

property, labor, materials, equipment, supplies, training and testing costs, insurance premiums, legal and financing costs, administrative and general costs, and all other costs properly allocable to the acquisition and construction of the Belle River Project and placing the same in operation;

(9) the costs and expenses incurred in the issuance and sale of Bonds and Bond Anticipation Notes, including bond discounts, if any;

(10) all other costs incurred in connection with, and properly chargeable to, the acquisition and construction of the Belle River Project in accordance with, or which constitute a Cost of Construction under, the Belle River Participation Agreement, the Edison Transmission Agreement and the Consumers Transmission Agreement; and

(11) the payment of principal, premium, if any, and interest when due (whether at the maturity of principal or at the due date of interest or upon redemption) on Bond Anticipation Notes unless such costs are to be paid from proceeds of Bonds pursuant to the Bond Resolution.

Prior to the Commercial Operation Date, MPPA shall apply as a credit against the Cost Of Acquisition And Construction of the Belle River Project, to the extent not credited against Monthly Power Costs or Monthly Transmission Costs, all proper credits thereto, including, without limitation, all receipts, revenues and other moneys to the extent received by it or credited to it under the

Belle River Participation Agreement, the Edison Transmission Agreement and the Consumers Transmission Agreement from insurance proceeds, condemnation awards, damages collected from contractors, subcontractors or others and proceeds from the sale or other disposition of surplus property and test energy, all relating to the Belle River Project, and interest earned on investments held under the Bond Resolution.

Debt Service shall mean, with respect to any period, the aggregate of the amounts required by the Bond Resolution to be paid or deposited during said period into any fund or account created by the Bond Resolution for the sole purpose of paying the principal (including sinking fund installments) of, premium, if any, and interest on all Bonds from time to time outstanding as the same shall become due; provided, however, that Debt Service shall not include any amount payable as principal or interest solely as a result of acceleration of maturity of Bonds.

Edison Transmission Agreement shall mean the Belle River Transmission Ownership and Operating Agreement dated as of December 1, 1982 between MPPA and The Detroit Edison Company, as the same may be amended or supplemented from time to time in accordance with the provisions thereof.

Edison Transmission Cost Factor shall mean, with respect to each Participant, the factor (expressed as a percentage) shown opposite the name of such Participant in the Schedule of Participants which specifies such Participant's proportionate share of Monthly Transmission Costs based on such Participant's Transmission

Entitlement Share.

Electric Capacity shall mean kilowatts (kW) electric.

Electric Energy shall mean kilowatt hours (kWh).

Minimum Loading Level shall mean, with respect to each Participant, the minimum amount of production which such Participant may be required to schedule when Belle River is operating, which minimum amount in any hour shall be determined by multiplying the minimum amount of production which MPPA may be required to schedule pursuant to the Belle River Participation Agreement by a fraction the numerator of which is such Participant's Power Entitlement Share less such Participant's Planned Excess Generating Capacity and the denominator of which is the aggregate of the Power Entitlement Shares of the Participants less the aggregate of the Planned Excess Generating Capacities of the Participants.

Month shall mean a calendar month.

Monthly Back-up Costs shall mean, with respect to each Month of each Contract Year, all costs (other than Back-up Energy Related Costs) attributable to Back-up Entitlement Take that are paid or incurred by MPPA during such Month, including without limitation, the following items of cost:

(1) the amount required to be paid under the Belle River Participation Agreement as the Annual Back-up Electric Capacity Charge;

(2) the amount required to be paid under the Belle

River Participation Agreement as the Daily Back-up Electric Capacity Charge; and

(3) any additional amount not specified in the other items of this definition or in the definition of Back-up Energy Related Costs which must be paid by MPPA during such Month under the Belle River Participation Agreement or otherwise in connection with the provision of Back-up Capacity and Back-up Energy.

Monthly Power Costs shall mean, with respect to each Month of each Contract Year, all costs (other than Project Energy Related Costs) attributable to Belle River, to the extent not paid from the proceeds of Bonds (including income from investment of such proceeds), that are paid or incurred by MPPA during such Month resulting from the ownership, operation, maintenance and termination of, and repair, renewals, replacements, additions, improvements, betterments and modifications to, Belle River, including without limitation, the following items of cost:

(1) the amount required under the Bond Resolution to be paid or deposited during such Month into any fund or account established by the Bond Resolution for the payment of Debt Service on Bonds allocable to Belle River;

(2) the amount required under the Bond Resolution to be paid or deposited during such Month into any fund or account established by the Bond Resolution to the extent allocable to Belle River or in connection with Bonds allocable to Belle River (other than funds and accounts referred to in



clause (1) above), including any amounts required to be paid or deposited by reason of the transfer of moneys from such funds or accounts to the funds or accounts referred to in clause (1) above;

(3) any amount which MPPA may be required during such Month to pay for the prevention or correction of any unusual loss or damage or for renewals, replacements, repairs, additions, improvements, betterments, and modifications which are required under the Belle River Participation Agreement or which are necessary to keep Belle River in good operating condition or to prevent a loss of revenues therefrom, but in each case only to the extent that (a) funds for such payment are not available to MPPA from any funds or accounts established under the Bond Resolution for such purpose or (b) funds for such payment are not provided by the issuance of Bonds;

(4) the costs of operating and maintaining Belle River and of producing and delivering capacity and energy therefrom during such Month (including administrative and general expenses and working capital, for fuel or otherwise, but excluding Project Energy Related Costs and depreciation) not included in the costs specified in the other items of this definition and properly chargeable to Belle River;

(5) the amount required under the Bond Resolution to be paid or deposited during such Month into any fund or account established by the Bond Resolution or otherwise for

the payment of interest on Bond Anticipation Notes allocable to Belle River;

(6) any additional amount not specified in the other items of this definition (excluding Project Energy Related Costs) which must be paid by MPPA during such Month under the Belle River Participation Agreement;

(7) any additional amount not in excess of 5% of the amount required to be paid pursuant to clause (1) above for financial and economic surveys, studies and work relating to future power supply by the Belle River Project; and

(8) any additional amount allocable to Bonds allocable to Belle River which must be realized by MPPA during such Month in order to meet the Debt Service coverage requirement of any rate covenant of the Bond Resolution with respect to such Bonds or which MPPA deems advisable in the marketing of its Bonds.

Monthly Transmission Costs shall mean, with respect to each Month of each Contract Year, all costs (other than Transmission Utilization Adjustment Costs) attributable to Belle River Transmission, to the extent not paid from the proceeds of Bonds (including income from investment of such proceeds), that are paid or incurred by MPPA during such Month resulting from the ownership, operation, maintenance and termination of, and repair, renewals, replacements, additions, improvements, betterments and modifications to, Belle River Transmission and delivery pursuant to the Power Sales Contracts of capacity and energy, including without limitation, the following

items of cost:

(1) the amount required under the Bond Resolution to be paid or deposited during such Month into any fund or account established by the Bond Resolution for the payment of Debt Service on Bonds allocable to Belle River Transmission;

(2) the amount required under the Bond Resolution to be paid or deposited during such Month into any fund or account established by the Bond Resolution to the extent allocable to Belle River Transmission or in connection with Bonds allocable to Belle River Transmission (other than funds and accounts referred to in clause (1) above), including any amounts required to be paid or deposited by reason of the transfer of moneys from such funds or accounts to the funds or accounts referred to in clause (1) above;

(3) any amount which MPPA may be required during such Month to pay for the prevention or correction of any unusual loss or damage or for renewals, replacements, repairs, additions, improvements, betterments, and modifications which are required under the Edison Transmission Agreement or the Consumers Transmission Agreement or which are necessary to keep Belle River Transmission in good operating condition or to prevent a loss of revenues therefrom but in each case only to the extent that (a) funds for such payment are not available to MPPA from any funds or accounts established under the Bond Resolution for such purpose or (b) funds for such payment are not provided by the issuance of Bonds;

(4) the costs of operating and maintaining Belle River Transmission during such Month (including administrative and general expenses and working capital, but excluding Transmission Utilization Adjustment Costs and depreciation), not included in the costs specified in the other items of this definition and properly chargeable to Belle River Transmission;

(5) the amount required under the Bond Resolution to be paid or deposited during such Month into any fund or account established by the Bond Resolution or otherwise for the payment of interest on Bond Anticipation Notes allocable to Belle River Transmission;

(6) any additional amount not specified in the other items of this definition (excluding Transmission Utilization Adjustment Costs) which must be paid by MPPA during such Month under the Edison Transmission Agreement or the Consumers Transmission Agreement; and

(7) any additional amount allocable to Bonds allocable to Belle River Transmission which must be realized by MPPA during such Month in order to meet the Debt Service coverage requirement of any rate covenant of the Bond Resolution with respect to such Bonds or which MPPA deems advisable in the marketing of its Bonds.

Net Electric Capacity and Energy shall mean the gross electric capability, and associated electric energy, of Belle River less the associated electric energy utilized by Belle River for all processes, auxiliary equipment and systems used or useful in

connection with start-up, operation, maintenance, control, supply or shutdown of Belle River including appropriate station service transformer losses.

Participants shall mean the parties, including the Participant, other than MPPA, to Power Sales Contracts substantially similar hereto and named on the Schedule of Participants.

Planned Excess Generating Capacity shall mean, with respect to each Participant for any Contract Year, the amount of such Participant's share of MPPA's Planned Excess Electric Capability and Energy Entitlement in Belle River which MPPA is obligated to sell to The Detroit Edison Company pursuant to Section 6.5 of the Belle River Participation Agreement for such Contract Year, determined by multiplying MPPA's Planned Excess Electric Capability and Energy Entitlement in Belle River to be sold to The Detroit Edison Company during such Contract Year pursuant to Section 6.5 of the Belle River Participation Agreement by a fraction the numerator of which is such Participant's Power Entitlement Share and the denominator of which is the aggregate Power Entitlement Share of the Participants. Each Participant's Planned Excess Generating Capacity, so determined, is shown opposite the name of such Participant in the Schedule of Participants.

Planned Available Consumers Transmission Capacity shall mean, with respect to each Participant for any Contract Year, the amount of such Participant's share of MPPA's Transmission Capacity in Belle River Transmission, which MPPA is obligated to sell to Consumers Power Company pursuant to Sections 6.2 and 6.3 of the

Consumers Transmission Agreement, determined by multiplying MPPA's Transmission Capacity to be sold to Consumers Power Company during such Contract Year pursuant to Sections 6.2 and 6.3 of the Consumers Transmission Agreement, by a fraction the numerator of which is such Participant's Power Entitlement Share and the denominator of which is the aggregate Power Entitlement Share of the Participants. Each Participant's Planned Available Consumers Transmission Capacity, so determined, is shown opposite the name of such Participant in the Schedule of Participants.

Planned Excess Edison Transmission Capacity shall mean, with respect to each Participant for any Contract Year, the amount of such Participant's share of MPPA's Transmission Capacity in Belle River Transmission, which MPPA is obligated to sell to The Detroit Edison Company pursuant to Section 6.2 of the Edison Transmission Agreement, determined by multiplying MPPA's Transmission Capacity to be sold to The Detroit Edison Company during such Contract Year pursuant to Section 6.2 of the Edison Transmission Agreement by a fraction the numerator of which is such Participant's Power Entitlement Share and the denominator of which is the aggregate Power Entitlement Share of the Participants. Each Participant's Planned Excess Edison Transmission Capacity, so determined, is shown opposite the name of such Participant in the Schedule of Participants.

Point of Delivery shall mean, with respect to each

Participant, (i) the point(s) of interconnection between such Participant's system and The Detroit Edison Company system or the Consumers Power Company system, if such Participant is directly connected to The Detroit Edison Company system or the Consumers Power Company system, or (ii) the point(s) of interconnection between another utility system and The Detroit Edison Company system or the Consumers Power Company system, if such Participant is connected to The Detroit Edison Company system or the Consumers Power Company system through an interconnection with such other utility system.

Power Entitlement Share shall mean, with respect to each Participant, that percentage of Belle River Project Capability shown opposite the name of such Participant in the Schedule of Participants.

Power Sales Contracts shall mean this Belle River Power Sales Contract and the other Belle River Power Sales Contracts, dated the date hereof, between MPPA and the other Participants, all of which are uniform in all material respects in their terms, conditions and provisions with the exception of the Power Entitlement Share, the Transmission Entitlement Share, the Back-up Entitlement Share, if any, the Transmission Cost Factor and the Transmission Utilization Adjustment Factor for each of the Participants.

Project Energy Related Costs shall mean, with respect to Belle River, those costs which vary with the amount of capacity and energy produced from time to time, including without limitation, the cost of fuel, cost of fuel transportation other than fixed costs of

transportation, cost of all disposal of wastes directly relating to production of capacity and energy and other costs incurred under the Belle River Participation Agreement which are directly related to the amount of capacity and energy produced under the Belle River Participation Agreement.

Schedule of Participants shall mean the Schedule of Participants attached hereto, as the same may be amended or supplemented from time to time in accordance with the provisions hereof.

Transmission Entitlement Share shall mean, with respect to each Participant, the portion of MPPA's ownership interest, expressed in kilowatts, in Belle River Transmission under the Edison Transmission Agreement and the Consumers Transmission Agreement shown opposite the name of such Participant in the Schedule of Participants.

Transmission Utilization Adjustment Costs shall mean the Utilization Adjustment, expressed in dollars, for MPPA, as determined each year in accordance with the provisions of the Consumers Transmission Agreement.

Transmission Utilization Adjustment Factor shall mean, with respect to each Participant, the factor (expressed as a percentage) to be determined each Contract Year which specifies such Participant's proportionate share of Transmission Utilization Adjustment Costs based on (i) such Participant's Power Entitlement Share for the appropriate Contract Year, (ii) such Participant's Transmission Entitlement Share for the appropriate Contract Year, (iii) such



Participant's Planned Available Consumers Transmission Capacity, (iv) such Participant's right to acquire transmission ownership at net or gross plant, as appropriate, and (v) the voltage level of such Participant's Point of Delivery.

Uniform System of Accounts shall mean the Federal Energy Regulatory Commission's "Uniform Systems of Accounts" prescribed for Public Utilities and Licensees (Class A and Class B), in effect as of the date of this Power Sales Contract as such Uniform Systems of Accounts may be modified, amended or supplemented from time to time.

SECTION 2. Term of Contract.

This Power Sales Contract shall become effective upon execution and delivery of Power Sales Contracts by all Participants listed in the Schedule of Participants and shall, unless this Power Sales Contract is terminated pursuant to Section 30, continue until the later of (i) the date the principal of, premium, if any, and interest on all Bonds have been paid or funds set aside for the payment thereof or (ii) the date Belle River is retired pursuant to the Belle River Participation Agreement or the interest of MPPA in Belle River is terminated pursuant to the Belle River Participation Agreement or is otherwise disposed of.

SECTION 3. Sale and Purchase.

MPPA hereby sells, and the Participant hereby purchases, the Participant's Power Entitlement Share, the Participant's Trans-

mission Entitlement Share and the Participant's Back-up Entitlement Share. The Participant shall, in accordance with and subject to the provisions of Section 4, pay MPPA (i) for its Power Entitlement Share, an amount determined by multiplying Monthly Power Costs by the Participant's Power Entitlement Share, (ii) for its Back-up Entitlement Share, an amount determined by multiplying Monthly Back-up Costs by a fraction the numerator of which is the Participant's Back-up Entitlement Take and the denominator of which is the aggregate Back-up Entitlement Take of all Participants in such Month, (iii) for its share of Project Energy Related Costs, an amount determined by multiplying Project Energy Related Costs by a fraction the numerator of which is the number of kilowatt hours of energy scheduled from Belle River by the Participant during the Month to which such payment relates and the denominator of which is the total kilowatt hours of energy scheduled from Belle River by all Participants during such Month, (iv) for its share of Back-up Energy Related Costs, if any, an amount determined by multiplying Back-up Energy Related Costs by a fraction the numerator of which is the number of kilowatt hours of Back-up Energy scheduled by the Participant during the Month to which such payment relates and the denominator of which is the total kilowatt hours of Back-up Energy scheduled by all Participants during such Month, (v) for its Transmission Entitlement Share, amounts determined by multiplying Monthly Transmission Costs attributable to the Consumers Transmission Agreement by the Participant's Consumers Transmission Cost Factor and Monthly Transmission Costs attributable to the Edison Transmission Agreement by the Participant's Edison Transmission Cost Factor and aggregating such amounts and (vi)

for its share of Transmission Utilization Adjustment Costs, if any, an amount determined by multiplying Transmission Utilization Adjustment Costs by the Participant's Transmission Utilization Adjustment Factor (which amount, if negative, is to be credited to Participant). Such payments are to be computed and made as provided in Section 4 below.

SECTION 4. Method of Payment.

(a) On or before 30 days prior to the estimated commencement of the first Contract Year and on or before December 1 prior to the beginning of each Contract Year thereafter, MPPA shall prepare and mail to the Participant a budget showing an estimate by Month of the Monthly Power Costs, Monthly Transmission Costs, Monthly Back-up Costs, Project Energy Related Costs, Transmission Utilization Adjustment Costs and Back-up Energy Related Costs, if any, and the Participant's share of each, for the following Contract Year, which estimates will establish the basis for the Participant's payments in respect of Monthly Power Costs, Monthly Transmission Costs, Monthly Back-up Costs, Project Energy Related Costs, Transmission Utilization Adjustment Costs and Back-up Energy Related Costs, if any, allocable to the Participant as hereinafter provided.

(b) On or before the 10th day of each Month beginning with the second Month of the first Contract Year, MPPA shall render to the Participant a monthly statement showing, in each case with respect to the prior Month, (i)

the amount payable by the Participant in respect of Monthly Power Costs; (ii) the amount payable by the Participant in respect of Monthly Transmission Costs; (iii) the amount payable by the Participant, if any, in respect of Monthly Back-up Costs; (iv) the amount payable by the Participant in respect of Project Energy Related Costs; (v) the amount payable by the Participant in respect of Transmission Utilization Adjustment Costs; (vi) the amount payable, if any, by the Participant in respect of Back-up Energy Related Costs; (vii) the amount, if any, credited to or payable by the Participant with respect to any adjustment for actual Monthly Power Costs, Monthly Transmission Costs, Monthly Back-up Costs, Project Energy Related Costs, Transmission Utilization Adjustment Costs and Back-up Energy Related Costs incurred during a prior Month for which credit or payment has not been made; (viii) the credits, if any, against Monthly Power Costs and Monthly Transmission Costs determined in accordance with paragraphs (j), (k) and (l) of this Section 4; and (ix) any other amounts (except amounts in respect of Monthly Power Costs, which amounts are intended to be billed exclusively pursuant to clause (i) above, amounts in respect of Monthly Transmission Costs, which amounts are intended to be billed exclusively pursuant to clause (ii) above, and amounts in respect of Monthly Back-up Costs, which amounts are intended to be billed exclusively pursuant to clause (iii)

above), payable by or credited to such Participant pursuant to this Power Sales Contract or the Bond Resolution not otherwise shown; and such Participant shall pay the total of such amounts at the times specified in paragraph (d) of this Section 4. Subject to the provisions of Section 4(j) of this Power Sales Contract, if the total of such amounts shows a net credit to the Participant, MPPA shall, to the extent moneys are or at any time become available for such purpose in the Project Account in the General Reserve Fund held under the Bond Resolution, pay to the Participant the amount of such net credit.

(c) At the end of each quarter during each Contract Year and at such other times as it shall deem desirable, MPPA shall review its budget of Monthly Power Costs and Monthly Transmission Costs for the Contract Year and any adjustment thereof or credit thereto pursuant to paragraphs (j), (k) and (l) of this Section 4 and Monthly Back-up Costs, Project Energy Related Costs, Transmission Utilization Adjustment Costs and Back-up Energy Related Costs for the Contract Year. In the event such review indicates that such budget does not or will not substantially correspond with actual receipts or expenditures, or if at any time during such Contract Year there are or are expected to be extraordinary receipts, credits or payments of costs substantially affecting Monthly Power Costs and Monthly Transmission Costs and any adjustment thereof or

credit thereto pursuant to paragraphs (j), (k) and (l) of this Section 4 and Monthly Back-up Costs, Project Energy Related Costs, Transmission Utilization Adjustment Costs and Back-up Energy Related Costs, MPPA shall prepare and mail to the Participant a revised budget incorporating adjustments to reflect such receipts, credits or payments which shall supersede the previous such budget as a basis for the Participant's monthly payments hereunder for the balance of that Contract Year.

(d) Monthly payments required to be paid to MPPA 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 following the Month with respect to which the monthly statement therefor was rendered.

(e) 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 the annual percentage rate of interest being charged on such day for 90-day loans to substantial and responsible borrowers by the National Bank of Detroit, plus 1%, or the maximum rate lawfully payable by the Participant, whichever is less. 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 delayed-payment charge.

(f) In the event of any dispute as to any portion of any monthly 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. Such notice shall identify the disputed bill, state the amount in dispute and set forth a full statement of the grounds on which such dispute is based. No adjustment shall be considered or made for disputed charges unless notice is given as aforesaid. MPPA shall give consideration to such dispute and shall advise the Participant with regard to its position relative thereto 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 correct amount and such full amount shall be subtracted from the statement next submitted to the Participant after such determination.

(g) On or before one hundred eighty days after the end of each Contract Year, MPPA will submit to the Participant a detailed statement of the actual aggregate Monthly Power Costs and Monthly Transmission Costs and any adjustment thereof or credit thereto pursuant to paragraphs (j), (k) and (l) of this Section 4, Monthly Back-up Costs, Project Energy Related Costs, Transmission Utilization Adjustment Costs and Back-up Energy Related Costs, and the Participant's share of each, and all and other amounts pay-

able by or credited to the Participant pursuant hereto for all of the Months of such Contract Year, and adjustments of the aggregate Monthly Power Costs and Monthly Transmission Costs, if any, for any prior Contract Year and any adjustment thereof or credit thereto pursuant to paragraphs (j), (k) and (l) of this Section 4 and Monthly Back-up Costs, Project Energy Related Costs, Transmission Utilization Adjustment Costs and Back-up Energy Related Costs allocable to the Participant, based on the annual audit of accounts provided for in Section 11 hereof. If, on the basis of the statement submitted as provided in this paragraph (g), the actual aggregate Monthly Power Costs and Monthly Transmission Costs and any adjustment thereof or credit thereto pursuant to paragraphs (j), (k) and (l) of this Section 4 and Monthly Back-up Costs, Project Energy Related Costs, Transmission Utilization Adjustment Costs and Back-up Energy Related Costs allocable to the Participant and other amounts payable for any Contract Year exceed the estimate thereof on the basis of which the Participant has been billed, the Participant shall pay MPPA promptly the amount of such excess. If, on the basis of the statement submitted pursuant to this paragraph (g), the actual aggregate Monthly Power Costs and Monthly Transmission Costs and any adjustment thereof or credit thereto pursuant to paragraphs (j), (k) and (l) of this Section 4 and Monthly Back-up Costs, Project Energy Related Costs, Transmission Utilization Adjustment Costs and Back-up Energy Related Costs



allocable to the Participant or other amounts payable for any Contract Year are less than the estimate therefor on the basis of which such Participant has been billed, MPPA shall credit such Participant's next monthly statement or statements pursuant to this Section 4.

(h) Project Energy Related Costs, Transmission Utilization Adjustment Costs and Back-up Energy Related Costs, including any adjustments thereto, shall be determined by MPPA in accordance with the applicable provisions of this Power Sales Contract, the Belle River Participation Agreement, the Edison Transmission Agreement and the Consumers Transmission Agreement, respectively. The Participant shall pay such amounts pursuant to paragraphs (b) and (d) of this Section 4.

(i) The obligation of the Participant to make the payments under this Section 4 for Monthly Power Costs, Monthly Transmission Costs, Monthly Back-up Costs, Project Energy Related Costs, Transmission Utilization Adjustment Costs and Back-up Energy Related Costs shall constitute an obligation of the Participant payable as an operating expense of the Participant's electric system solely from the revenues and other available funds of the electric system, and such payments shall be made for any Month during any part of which Belle River was in service or Back-up Entitlement Take was made available to the Participant. Payments required to be made by the Participant under this Power Sales Contract are conditioned on power and energy being made available to the Participant.

Accordingly, the Participant shall not be required to make any payment with respect to any Month during which Belle River is wholly out of service for the entire Month and during which no Back-up Energy is made available to the Participant. For any Month during any portion of which Belle River is in service or Back-up Entitlement Take is made available to the Participant, the obligations of the Participant to make such payments shall not be subject to any reduction, whether by offset, counterclaim, or otherwise, and shall not, except as provided in this paragraph (i), be conditioned upon the performance by MPPA under this or any other agreement or instrument.

(j) Pursuant to the Belle River Participation Agreement, MPPA has agreed to sell to The Detroit Edison Company Planned Excess Generating Capacity associated with Belle River which is the aggregate of the Planned Excess Generating Capacity of the Participants. Pursuant to the Edison Transmission Agreement, MPPA has agreed to sell to The Detroit Edison Company Planned Excess Transmission Capacity associated with the portion of Belle River Transmission provided by the Edison Transmission Agreement which is the aggregate of the Planned Excess Edison Transmission Capacity of the Participants. Pursuant to the Consumers Transmission Agreement, MPPA has agreed to sell to Consumers Power Company Planned Available Consumers Transmission Capacity associated with the portion of Belle River Transmission provided by the Consumers Transmission Agreement which is the aggregate of the Planned Available Consumers

Transmission Capacity of the Participants. The anticipated proceeds from such sales of such Planned Excess Generating Capacity, Planned Excess Edison Transmission Capacity and Planned Available Consumers Transmission Capacity shall be estimated in preparing the budgets required under this Section 4. Any revenues actually received by MPPA as a result of such sales of Planned Excess Generating Capacity, Planned Excess Edison Transmission Capacity and Planned Available Consumers Transmission Capacity shall be applied first to Monthly Power Costs and Monthly Transmission Costs allocable to the Planned Excess Generating Capacity, Planned Excess Edison Transmission Capacity and Planned Available Consumers Transmission Capacity and any remaining amounts shall be used, in such proportions and at such times as MPPA, in its sole discretion, shall determine (i) to retire Bonds by purchase or redemption (ii) to pay any costs which may be paid from the proceeds of additional Bonds pursuant to Sections 13(a) and (b) of this Power Sales Contract and (iii) for any other lawful purpose.

(k) The amount, if any, transferred pursuant to the Bond Resolution from the General Reserve Fund to the Revenue Fund during any Month shall be credited against Monthly Power Costs and Monthly Transmission Costs for such Month in the proportion that Debt Service for such Month on Bonds allocated to Belle River and on Bonds allocated to Belle River Transmission, respectively, bears to the aggregate of Debt Service on all Bonds for such Month.

(1) MPPA shall use its best efforts to collect or cause to be collected and shall apply to the retirement of Bonds allocated to Belle River or to Belle River Transmission, as appropriate, by purchase or redemption, to the extent not credited or to be credited against the Cost of Acquisition and Construction or required to be otherwise applied under the Bond Resolution, all receipts, revenues and other moneys received by it or credited to it from insurance proceeds, condemnation awards, damages in connection with the construction of Belle River and Belle River Transmission collected from contractors, subcontractors or others and proceeds from the sale or other disposition of surplus property, all related to the Belle River Project. MPPA shall apply interest earned on investments held under the Bond Resolution to the extent not credited against the Cost of Acquisition and Construction in accordance with the Bond Resolution.

SECTION 5. Scheduling of Deliveries.

The Participant shall be entitled to schedule the production of electric capacity and energy to which the Participant is entitled under this Power Sales Contract. The Participant shall provide to MPPA or its designee written schedules, including revisions from time to time, for such production and use. The written schedules shall be submitted to MPPA by the Participant in a manner and form sufficient to allow MPPA to satisfy the requirements of the Belle River Participation Agreement for scheduling and to prepare the

budgets required under Section 4. Subject to the applicable provisions of the Belle River Participation Agreement, MPPA shall use its best efforts to schedule or cause to be scheduled such production and use in accordance with the schedules furnished to it by the Participant as herein provided, including revisions thereto; provided, that the Participant's dispatcher shall be permitted to maintain communication with MPPA for purposes of modifying schedules during periods of emergency or for economic dispatch of energy production; and provided further, that the Participant shall promptly notify MPPA of any such schedule modifications and MPPA shall neither schedule nor dispose of capacity and energy in any way which would cause MPPA to be in violation of the Belle River Participation Agreement. MPPA shall inform the Participant's dispatcher when the Participant's schedule of energy production in any hour shall be increased to the Participant's Minimum Loading Level. MPPA shall use its best efforts to keep the Participant informed of all matters which may affect the Participant's ability to carry out the provisions of this Section 5. All schedules, including revisions thereto, shall be adjusted after the fact by MPPA to reflect actual deliveries of electric capacity and energy under this Power Sales Contract.

At any time Belle River is operable or operating, the Participant shall not be entitled to schedule in any hour production of power and energy in excess of such Participant's Power Entitlement Share, less such Participant's Planned Excess Generating Capacity for the Contract Year. At any time Belle River is not operable or operat-

ing, the Participant shall not be entitled to schedule in any hour delivery of Back-up Energy in excess of such Participant's Back-up Entitlement Take.

Not less than 13 Months before commencement of each Contract Year, the Participant shall notify MPPA in writing of the amount of Back-up Entitlement Take the Participant intends to receive in such Contract Year.

SECTION 6. Point of Delivery.

Capacity and energy scheduled by the Participant pursuant to Section 5 of this Power Sales Contract will be delivered at the Participant's Point of Delivery.

The Participant shall be responsible for delivery of capacity and energy from the Point of Delivery to the Participant's system.

SECTION 7. Reactive Power.

The Participant shall provide the reactive power requirements of its electric system so that electric capacity and energy delivered to the Participant pursuant to this Power Sales Contract shall be at unity power factor except, if the Point of Delivery is interconnected with the Consumers Power Company, when necessary for proper operation of Consumers Power Company's high voltage transmission system as determined by Consumers Power Company, or, if the Point of Delivery is interconnected with The Detroit Edison Company, when necessary for proper operation of The Detroit Edison

Company's high voltage transmission system as determined by The Detroit Edison Company. Unless mutually agreed to by MPPA, the Participant and Consumers Power Company, the Participant shall take appropriate action after consultation with Consumers Power Company to maintain a flow of reactive power from the Consumers Power Company system, to, or for the account of, the Participant to as near zero as practical.

SECTION 8. Emergency Curtailment.

The electric capacity and energy associated with the Participant's Back-up Entitlement Take to be purchased by the Participant pursuant to this Power Sales Contract is to be provided from reserves made available from generating units of The Detroit Edison Company and arrangements made by The Detroit Edison Company with other utilities with whom The Detroit Edison Company and Consumers Power Company have interconnection agreements. In the event such reserves are, or are anticipated by The Detroit Edison Company to become, inadequate to maintain a frequency of 60 hertz on The Detroit Edison Company load frequency control system, the Participant shall be obligated to make a pro rata reduction in the scheduled delivery of electric capacity and energy associated with the Participant's Back-up Entitlement Take up to and including the total amount thereof as may be determined by MPPA after consultation with The Detroit Edison Company. Further, the Participant shall automatically reduce (pro rata) its electric capacity and energy connected with its Back-up Entitlement Take when the frequency of

The Detroit Edison Company load frequency control system drops to 58.5 hertz or below. Such reductions in electric capacity and energy shall not result in any decrease in the Monthly Back-up Costs to be paid by the Participant to MPPA under this Power Sales Contract.

SECTION 9. Availability of Entitlement Shares.

Except as provided otherwise by this Power Sales Contract, and subject to the provisions of the Belle River Participation Agreement, the Edison Transmission Agreement and the Consumers Transmission Agreement, respectively, the Participant's Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share shall be made available in accordance with this Power Sales Contract during the term of this Power Sales Contract; provided, however, that non-delivery of electric power and energy for any reason for any part, but not all, of a Month shall not relieve the Participant from its obligations to make its payments under Section 4 hereof.

SECTION 10. Insurance.

Subject to the provisions of the Belle River Participation Agreement, the Edison Transmission Agreement, the Consumers Transmission Agreement and the Bond Resolution, MPPA shall maintain, or cause to be maintained, in force, as part of the Cost Of Acquisition And Construction, Monthly Power Costs or Monthly Transmission Costs, as appropriate, insurance with responsible insurers with policies payable to the parties as their interests shall appear, against risk or direct physical loss, damage or destruction of the Belle River



Project, at least to the extent that similiar insurance is usually carried by utilities constructing and operating electric generation and transmission facilities of the nature of the generation and transmission facilities of the Belle River Project, including liability insurance and employers' liability, all to the extent available at reasonable cost but in no case less than will satisfy all applicable regulatory requirements.

SECTION 11. Accounting.

MPPA agrees to keep accurate records and accounts relating to the Belle River Project and relating to Monthly Power Costs, Monthly Transmission Costs, Monthly Back-up Costs, Project Energy Related Costs, Transmission Utilization Adjustment Costs and Back-up Energy Related Costs in accordance with the Bond Resolution and 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 public finance and 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 Contract Year.

The Participant agrees to keep accurate records and accounts relating to the conduct of its business and shall keep separate and distinct from its other records and accounts accurate records and accounts relating to this Power Sales Contract. The

accounts shall be audited annually by a firm of certified public accountants, experienced in electric utility accounting, 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 not later than 180 days after the termination of its fiscal year.

SECTION 12. Information to be Made Available.

(a) Subject to the provisions of the Belle River Participation Agreement, the Edison Transmission Agreement and the Consumers Transmission Agreement:

(1) all books of account, records, documentation and contracts in the possession of MPPA relating to the construction and operation of the Belle River Project shall be available for examination by the Participant;

(2) copies of all agreements and data in the possession of MPPA relating to the financing of the Belle River Project shall be available for examination by the Participant;

(3) copies of all operating and financial records and reports relating to the Belle River Project in the possession of MPPA shall be available for examination by the Participant; and

(4) copies of policies of insurance carried pursuant to Section 10 hereof shall be available for examination by the Participant.

(b) The Participant shall, upon request, furnish to MPPA all such information, certificates, engineering reports, feasibility reports, financial statements, opinions of counsel (including the opinion required by subsection (c) hereof) and other documents as shall be reasonably necessary in connection with the financing of the Belle River Project and the cost of producing or obtaining the same shall be a part of the Cost Of Acquisition And Construction.

(c) The Participant shall, concurrently with the execution and delivery of this Power Sales Contract, cause an opinion or opinions in form and substance satisfactory to MPPA to be delivered by one or more attorneys or firms of attorneys satisfactory to MPPA with respect to the authorization, execution and validity of this Power Sales Contract as it relates to the Participant, and, if the Participant shall have bonds outstanding secured by revenues of its electric system, the legality under the terms and conditions of the ordinance, resolution, indenture or other contractual arrangement with the holders of such bonds of the performance by the Participant of its covenants and agreements under this Power Sales Contract.

SECTION 13. Additional Bonds and Refunding Bonds.

(a) Additional Bonds may be sold and issued by MPPA in accordance with the provisions of the Bond Resolution at

any time and from time to time in the event, for any reason, the proceeds derived from the sale of Bonds prior to such time shall be insufficient for the purpose of paying the Cost Of Acquisition And Construction of the Belle River Project.

(b) Additional Bonds may be sold and issued by MPPA in accordance with the provisions of the Bond Resolution at any time and from time to time in the event funds are required to pay the cost of (i) any renewals, replacements, repairs, additions, betterments, modifications or improvements to the Belle River Project necessary to keep the Belle River Project in good operating condition or to prevent a loss of revenues therefrom, (ii) additions, improvements, repairs and modifications to the Belle River Project and any retirement or disposal of the Project required by any governmental agency having jurisdiction over the Belle River Project or for which MPPA shall be responsible under the Belle River Participation Agreement, the Edison Transmission Agreement or the Consumers Transmission Agreement; (iii) additional fuel inventory or any right thereto for the Belle River Project to the extent that additional funds are not available to pay the costs thereof; (iv) transmission facilities required to be purchased by MPPA pursuant to the Edison Transmission Agreement or the Consumers Transmission Agreement subsequent to the initial purchase of facilities thereunder; (v) capital costs incurred

pursuant to actions taken under the Belle River Participation Agreement, the Edison Transmission Agreement and the Consumers Transmission Agreement, whether required or optional; and (vi) any amounts relating to the Belle River Project which MPPA is required to pay to any third party or parties by reason of any judgment or order of any court, commission, bureau, board or regulatory authority of competent jurisdiction to the extent that sufficient funds are not available therefor in any Fund or Account under the Bond Resolution.

(c) Any such additional Bonds shall be secured by the pledge made pursuant to the provisions of Section 17 of this Power Sales Contract of the payments required to be made by the Participant under Section 4 of this Power Sales Contract, and all other payments attributable to the Belle River Project and the Belle River Participation Agreement to be made in accordance with or pursuant to any other provision of this Power Sales Contract, as such payments may be increased and extended by reason of the issuance of such additional Bonds, and such additional Bonds may be issued in amounts sufficient to pay the full amount of such costs and to provide such reserves as may be reasonably determined by MPPA to be desirable. Any such additional Bonds issued in accordance with the provisions of this Section 13 and secured by the pledge of payments to be made in accordance with the provisions of this Section

13 may rank pari passu as to the security afforded by the provisions of this Power Sales Contract with all Bonds theretofore issued pursuant to and secured in accordance with the provisions of this Power Sales Contract.

(d) In the event Monthly Power Costs or Monthly Transmission Costs may be reduced by the refunding of any Bonds then outstanding or in the event it shall otherwise be advantageous, in the opinion of MPPA, to refund any Bonds, MPPA may issue and sell refunding Bonds in accordance with the Bond Resolution to be secured by the pledge made pursuant to the provisions of Section 17 of this Power Sales Contract of the payments required to be made by the Participant under Section 4 of this Power Sales Contract and all other payments attributable to the Belle River Project and the Belle River Participation Agreement to be made in accordance with or pursuant to any other provision of this Power Sales Contract. Any such refunding Bonds issued in accordance with the provisions of this Section 13 and secured by the pledge of such payments may rank pari passu as to the security afforded by the provisions of this Power Sales Contract with all Bonds theretofore issued pursuant to and secured in accordance with the provisions of this Power Sales Contract.

SECTION 14.      Disposition or Termination of the Belle River Project.

Except as provided in this Section 14, MPPA shall not sell

or otherwise dispose of any interest in the Belle River Project without the consent of the Participant. Subject to the provisions of the Bond Resolution, this Section 14 shall not prohibit a merger or consolidation or sale of all or substantially all of the property of MPPA. Subject to the provisions of the Belle River Participation Agreement, the Edison Transmission Agreement and the Consumers Transmission Agreement, if the Belle River Project shall be terminated, MPPA shall use its best efforts to cause the Belle River Project to be economically salvaged, discontinued, disposed of or sold in whole or in part. MPPA shall make monthly accounting statements to the Participant of all costs associated therewith. Such monthly accounting statements shall continue until the Belle River Project has been salvaged, discontinued or finally disposed of hereunder, at which time a final accounting statement with respect thereto shall be made by MPPA at the earliest reasonable time. The costs of salvage, discontinuance or disposition shall include, but shall not be limited to, all accrued costs and liabilities resulting from the construction, operation (including cost of fuel), maintenance of and renewals and replacements to the Belle River Project. Such final accounting statement shall credit the Participant, and deduct from any amount otherwise chargeable to it, the fair market value of any assets related to the Belle River Project then retained by MPPA. If any such final accounting statement shows that the costs referred to above exceed such credits after application by MPPA of all available funds held under the Bond Resolution for such purpose, the Participant shall pay MPPA the amount shown to be due to such final accounting

statement. If any such final accounting statement shows that the costs referred to above are less than such credits after application by MPPA of all other available funds held under the Bond Resolution for such purpose, MPPA shall, subject to provisions of the Bond Resolution, pay the Participant, as an adjustment for overpayments of Monthly Power Costs, an amount equal to the amount of the excess credit.

SECTION 15. Participant Covenants.

The Participant agrees to maintain its electric system in good operating order, to cooperate with MPPA in the performance of the respective obligations of such Participant and MPPA under this Power Sales Contract and to fix, charge and collect rents, rates, 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 Power Sales Contract and to pay other amounts payable from or constituting a charge and lien upon such revenues, including amounts sufficient to pay the principal of and interest on all revenue bonds related to the Participant's electric system and, to the extent being paid from revenues of such electric system, all general obligation bonds of the Participant now outstanding or hereafter issued for purposes related to its electric system.

SECTION 16. Operation and Maintenance.

Subject to the provisions of the Belle River Participation



Agreement, the Edison Transmission Agreement and the Consumers Transmission Agreement, MPPA covenants and agrees that it will use its best efforts to operate, maintain and manage the Belle River Project or cause the same to be operated, maintained and managed in an efficient and economical manner.

SECTION 17. Pledge of Payments.

All payments required to be made by the Participant pursuant to the provisions of Section 4, and all other payments attributable to the Belle River Project or the Belle River Participation Agreement to be made in accordance with or pursuant to any other provision of this Power Sales Contract, shall be pledged to secure the payment of Bonds.

SECTION 18. Event of Default.

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

SECTION 19. Continuing Obligation, Right to Discontinue Service.

In the event of any default referred to in Section 18, 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 Power Sales Contract against the Participant, and MPPA may, upon sixty days written notice of the Participant, cease and discontinue providing all or any portion of the Participant's Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share.

SECTION 20.      Transfer of Entitlement Shares Following Default.

In the event of a default by any Participant and discontinuance of service pursuant to Section 19 of such Participant's Power Sales Contract, (a) MPPA shall first offer to transfer to all other Participants which are not in default a pro rata portion of the defaulting Participant's Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share which shall have been discontinued by reason of such default; any part of such Power Entitlement Share, Transmission Entitlement Share or Back-up Entitlement Share of a defaulting Participant which shall be declined by any nondefaulting 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 Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share have been reallocated in full or until all nondefaulting Participants have declined to take any additional

portion of such defaulting Participant's Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share; (b) in the event less than all of a defaulting Participant's Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share shall be accepted by the other Participants which are not in default pursuant to clause (a), MPPA shall use its reasonable best efforts to sell the remaining portion of a defaulting Participant's Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share for the remaining term of such defaulting Participant's Power Sales Contract with MPPA; the agreement for such sale shall contain such terms and conditions as will not adversely affect the security for the Bonds afforded by the Power Sales Contract 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 Power Entitlement Share, Transmission Entitlement Share or Back-up Entitlement sold pursuant to such contract shall be offered and transferred as provided for defaulting Participants in this Section 20; (c) in the event less than all of a defaulting Participant's Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share shall be accepted by the Participants which are not in default pursuant to clause (a) or sold pursuant to clause (b) of this Section, MPPA shall transfer, on a pro rata basis, (based on original Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share) to all other Participants which are not in default, the remaining portion of such defaulting Participant's Power Entitle-

ment Share, Transmission Entitlement Share and Back-up Entitlement Share; (d) any portion of the Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share of a defaulting Participant transferred pursuant to this Section to a nondefaulting Participant shall become a part of and shall be added to the Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share of each transferee Participant, and the transferee Participant shall be obligated to pay for its Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share increased as aforesaid, as if the Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share of the transferee Participant, increased as aforesaid, had been stated originally as the Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share of the transferee Participant in its Power Sales Contract with MPPA; provided, however, that in no event shall any transfer of any part of a defaulting Participant's Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share pursuant to clause (c) of this Section result in a transferee Participant having a Power Entitlement Share, Transmission Entitlement Share or Back-up Entitlement Share (including transfers to such transferee Participant pursuant to clause (a) of this Section) in excess of 125% of its original Power Entitlement Share, Transmission Entitlement Share or Back-up Entitlement Share; and (e) in the event less than all of a defaulting Participant's Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share shall be sold or transferred to nondefaulting

Participants pursuant to this Section 20, MPPA shall use its reasonable best efforts to sell the remaining portion of a defaulting Participant's Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share or the energy associated therewith on such terms and conditions as are acceptable to MPPA. The defaulting Participant shall remain liable, except that the obligation of the defaulting Participant to pay MPPA shall be reduced to the extent that payments shall be received by MPPA for that portion of the defaulting Participant's Power Entitlement Share, Transmission Entitlement Share and Back-up Entitlement Share which may be transferred or sold as provided in this Section 20.

SECTION 21. Other Default by Participant.

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 Power Sales Contract or in the event of any default by the Participant under any other covenant, agreement or obligation of this Power Sales Contract, 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 Power Sales Contract against the Participant.

SECTION 22. Default by MPPA.

In the event of any default by MPPA under any covenant,

agreement or obligation of this Power Sales Contract, the Participant's remedy for such default shall be limited to mandamus, injunction, action for specific performance or any other available equitable remedy as may be necessary or appropriate.

SECTION 23. Abandonment of Remedy.

In case any proceeding taken on account of any default shall have been discontinued or abandoned for any reason, the parties to such proceedings 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 24. 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 Power Sales Contract, shall not be a waiver with respect to any subsequent default, right or matter.

SECTION 25. Excess Funds.

Subject to the provisions of the Bond Resolution, in the event the proceeds derived from the sale of Bonds exceeds in the aggregate the amount of funds required for the purposes specified in this Power Sales Contract for the application thereof, the amount of such excess shall be used to retire, by purchase or redemption, Bonds

in the manner permitted under the Bond Resolution.

SECTION 26. Relationship to and Compliance with Other Instruments.

(a) It is recognized by the parties hereto that MPPA, in undertaking, or causing to be undertaken, the planning, financing, construction, acquisition, operation and maintenance of the Belle River Project, must comply with the requirements of the Bond Resolution, the Belle River Participation Agreement, the Edison Transmission Agreement, the Consumers Transmission Agreement and all licenses, permits and regulatory approvals necessary therefor, and it is therefore agreed that this Power Sales Contract is made subject to the terms and provisions of the Bond Resolution, the Belle River Participation Agreement, the Edison Transmission Agreement, the Consumers Transmission Agreement and all such licenses, permits and regulatory approvals.

(b) MPPA covenants and agrees to use its best efforts for the benefit of the Participant to comply in all material respects with all terms, conditions and covenants of the Bond Resolution, the Belle River Participation Agreement, the Edison Transmission Agreement, the Consumers Transmission Agreement and all licenses, permits and regulatory approvals relating thereto.

SECTION 27. Measurement of Energy.

MPPA will or will cause The Detroit Edison Company to install, maintain and operate the metering equipment, including area interchange metering and telemetering equipment, required to measure the quantities of energy produced and delivered from Belle River. MPPA shall have the option of metering at a location other than Belle River, in which event the measurements shall be appropriately adjusted for losses. At least once in each Contract Year MPPA will make or cause to be made such tests and inspections of the meters as may be necessary to maintain them at the highest practical commercial standard of accuracy.

SECTION 28. Liability of Parties.

MPPA and the Participant shall assume full responsibility and liability for the maintenance and operation of their respective properties and each shall indemnify and save harmless the other from all liability and expense on account of any and all damages, claims, or actions, including injury to or death of persons arising from any act or accident in connection with the installation, presence, maintenance and operation of the property and equipment of the indemnifying party and not caused in whole or in part by the negligence of the other party; provided, that any liability which is incurred by MPPA through the operation and maintenance of the Belle River Project or pursuant to the Belle River Participation Agreement, the Edison Transmission Agreement or the Consumers Trans-



mission Agreement and not covered, or not covered sufficiently, by insurance shall be paid solely from the revenues of MPPA, and any payments made by MPPA to satisfy such liability shall become part of Monthly Power Costs, Monthly Transmission Costs or Monthly Back-up Costs, as the case may be.

SECTION 29. Assignment of Power Sales Contract, Sale of Participant's System.

(a) This Power Sales Contract shall inure to the benefit of and shall be binding upon the respective successors and assigns of the parties to this Power Sales Contract; provided, however, that, except as provided in the event of a default and except for the assignment by MPPA authorized hereby, neither this Power Sales Contract nor any interest herein shall be transferred or assigned by either party hereto except with the consent in writing of the other party hereto, which consent shall not be unreasonably withheld. No assignment or transfer of this Power Sales Contract shall relieve the parties of any obligation hereunder.

(b) The Participant acknowledges and agrees that MPPA may assign and pledge to the trustee designated in the Bond Resolution all its right, title, and interest in and to all payments to be made to MPPA under the provisions of this Power Sales Contract as security for the payment of the principal (including sinking fund installments) of, premi-

um, if any, and interest on Bonds and may deliver possession of this Power Sales Contract to such trustee in connection therewith, and, upon such assignment, pledge and delivery, MPPA may grant to such trustee any rights and remedies herein provided to MPPA, and thereupon any reference herein to MPPA shall be deemed, with the necessary changes in detail, to include such trustee which shall be a third party beneficiary of the covenants and agreements of the Participant herein contained.

(c) The Participant agrees that it will not sell, lease or otherwise dispose of all or substantially all of its electric utility system except upon ninety (90) days prior written notice to MPPA and, in any event, will not sell, lease or otherwise dispose of the same unless the following conditions are met: (i) the Participant shall assign this Power Sales Contract and its rights and interest hereunder to the purchaser or lessee of said electric system, and such purchaser or lessee shall assume all obligations of the Participant under this Power Sales Contract; and (ii) MPPA shall by appropriate action determine that such sale, lease or other disposition will not adversely affect the value of this Power Sales Contract as security for the payment of Bonds and interest thereon or affect the eligibility of interest on Bonds for federal tax-exempt status.

SECTION 30. Termination or Amendment of Contract.

(a) This Power Sales Contract shall not be terminated by either party under any circumstances, whether based upon the default of the other party under this Power Sales Contract or any other instrument or otherwise except as specifically provided in this Power Sales Contract.

(b) This Power Sales Contract may be terminated by MPPA by notice to the Participant if the Belle River Participation Agreement and the Edison Transmission Agreement are not executed by MPPA and The Detroit Edison Company and the Consumers Transmission Agreement is not executed by MPPA and Consumers Power Company all prior to April 1, 1983 or if MPPA is unable to finance its interest in the Belle River Project by the issuance of Bonds prior to October 1, 1983.

(c) This Power Sales Contract shall not be amended, modified, or otherwise altered in any manner that will adversely affect the security for the Bonds afforded by the provisions of this Power Sales Contract covering the purchase and sale of power hereunder upon which the owners from time to time of the Bonds shall have relied as an inducement to purchase and hold the Bonds. So long as any of the Bonds are outstanding or until adequate provisions for the payment thereof have been made in accordance with the provisions of the Bond Resolution, this Power Sales

Contract shall not be amended, modified, or otherwise altered in any manner which will reduce the payments pledged as security for the Bonds or extend the time of such payments provided herein or which will in any manner impair or adversely affect the rights of the owners from time to time of the Bonds.

(d) No Power Sales Contract entered into between MPPA and another Participant may be amended so as to provide terms and conditions different from those herein contained except upon written notice to and written consent or waiver by each of the other Participants, and upon similar amendment being made to the Power Sales Contract of any other Participants requesting such amendment after receipt by such Participant of notice of such amendment.

SECTION 31. Notice and Computation of Time.

Any notice or demand by the Participant to MPPA under this Power Sales Contract shall be deemed properly given if mailed postage prepaid and addressed to MPPA at its principal office; any notice or demand by MPPA to the Participant under this Power Sales Contract shall be deemed properly given if mailed postage prepaid and addressed to [THE ADDRESS OF EACH PARTICIPANT, AS SET FORTH IN ANNEX 1 HERETO]; in computing any period of time from such notice, such period shall commence at noon on the date mailed. The designations of the name and address to which any such notice or demand is directed may be changed at any time and from time to time by either

party giving notice as above provided.

SECTION 32. Applicable Law; Construction.

This Power Sales Contract 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 33. Severability.

If any section, paragraph, clause or provision of this Power Sales Contract shall be finally adjudicated by a court of competent jurisdiction to be invalid, the remainder of this Power Sales Contract 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 Power Sales Contract 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

(SEAL)

By /s/ William P. Strom  
Chairperson

Attest:

/s/ Martin J. Hieftje

[EXECUTED SEPARATELY BY EACH  
PARTICIPANT AS SET FORTH IN  
ANNEX 1 HERETO]

(SEAL)

By \_\_\_\_\_

Its \_\_\_\_\_

Attest:

\_\_\_\_\_

BETWEEN  
MICHIGAN PUBLIC POWER AGENCY  
AND

DATED AS OF DECEMBER 1, 1982

SCHEDULE OF PARTICIPANTS

CAPACITY PARAMETERS

NAME OF PARTICIPANT	POWER ENTITLEMENT SHARE	EXPRESSED AS A PERCENTAGE OF MPPA'S BELLE RIVER PROJECT CAPABILITY				EXPRESSED AS A PERCENTAGE OF MPPA'S BACK-UP CAPACITY
		1984 - 1990	1991	1992	1993	
BAY CITY	3.71	3.71	3.34	2.97	0.74	3.71
CHARLEVOIX	1.65	1.65	1.48	1.32	0.33	1.65
CHELSEA	1.34	1.34	1.21	1.07	0.27	1.34
HART	0.25	0.25	0.22	0.20	0.05	0.25
HOLLAND	15.66	15.66	14.09	12.53	3.13	15.66
LANSING	64.29	64.29	57.86	51.43	12.86	64.29
LOWELL	1.24	1.24	1.12	0.99	0.25	1.24
PETOSKEY	1.85	1.85	1.66	1.48	0.37	1.85
PORTLAND	0.54	0.54	0.49	0.43	0.11	0.54
TRAVERSE CITY	4.53	4.53	4.08	3.63	0.91	4.53
ZEELEND	4.94	4.94	4.45	3.95	0.98	4.94

(1) MPPA's Planned Excess Electric Capacity And Energy Entitlement is subject to adjustment pursuant to Section 6.5.1 of the Participation Agreement and as may be required by the Bond Resolution. Unless determined otherwise by MPPA, the objective of MPPA shall be to maximize MPPA's Planned Excess Electric Capacity And Energy Entitlement.

**SCHEDULE OF PARTICIPANTS (CONTINUED)**  
**TRANSMISSION PARAMETERS**  
**BASED ON AN EXPECTED NET ELECTRIC GENERATING CAPABILITY**  
**OF 652 MW**

NAME OF PARTICIPANT	EDISON TRANSMISSION ENTITLEMENT	CONSUMERS TRANSMISSION ENTITLEMENT	PLANNED EXCESS EDISON TRANSMISSION CAPACITY (EXPRESSED AS KILOWATTS)				PLANNED AVAILABLE CONSUMERS TRANSMISSION CAPACITY (EXPRESSED AS KILOWATTS) (1)	EDISON TRANSMISSION COST FACTOR (EXPRESSED AS A PERCENTAGE OF EDISON MONTHLY TRANSMISSION COSTS)	CONSUMERS TRANSMISSION COST FACTOR (EXPRESSED AS A PERCENTAGE OF CONSUMERS MONTHLY TRANSMISSION COSTS)
	SHARE (EXPRESSED AS KILOWATTS)	SHARE (EXPRESSED AS KILOWATTS)	1984 - 1990	1991	1992	1993		1994	
BAY CITY	9000	8910	9000	8100	7200	1800	900	3.71	5.05
CHARLEVOIX	4000	3960	4000	3600	3200	800	400	1.65	2.89
CHELSEA	3250	3217.5	3250	2925	2600	650	325	1.34	2.35
HART	600	594	600	540	480	120	60	0.25	0.23
HOLLAND	38000	37620	38000	34200	30400	7600	3800	15.66	14.86
LAHSING	156000	154440	156000	140400	124800	31200	15600	64.29	61.00
LINCOLN	3000	2970	3000	2700	2400	600	300	1.24	1.17
PETUSKEY	4500	4455	4500	4050	3600	900	450	1.85	2.52
PURTLAND	1300	1287	1300	1170	1040	260	130	0.54	0.94
TRAVERSE CITY	11000	10890	11000	9900	8800	2200	1100	4.53	4.30
ZEELAND	12000	11880	12000	10800	9600	2400	1200	4.94	4.69

(1) To be determined within 30 days of the date of sale by Consumers to MPPA of an ownership interest in each Designated EMV Transmission Line pursuant to Section 6.2 of the Consumers Transmission Agreement.



ANNEX 1

CITY OF BAY CITY, MICHIGAN

City Manager, City Hall, 301 Washington Avenue, Bay City,  
Michigan 48706

By /s/ Anne R. Hachtel

Attest: /s/ Walter Wozniak, Jr.

CITY OF CHARLEVOIX, MICHIGAN

City Manager, 210 State Street, Charlevoix, Michigan 49720

By /s/ Kenneth A. Staley

Attest: /s/ Deanne Balch

VILLAGE OF CHELSEA, MICHIGAN

Village Administrator, 104 East Middle Street, Chelsea,  
Michigan 48118

By /s/ John W. Merkel

Attest: /s/ Evelyn Rosentreter

CITY OF HART, MICHIGAN

City Manager, 407 State Street, Hart, Michigan 49420

By /s/ William Wells

Attest: /s/ Norman Gaffney

CITY OF HOLLAND, MICHIGAN

General Manager, Board of Public Works, City Hall, Holland,  
Michigan 49423

By /s/ Richard W. Smith

Attest: /s/ D. W. Schipper

CITY OF LANSING, MICHIGAN BY AND THROUGH ITS BOARD OF WATER  
AND LIGHT

General Manager, Board of Water and Light, 123 West Ottawa,  
P. O. Box 13007, Lansing, Michigan 48933

By /s/ D. A. Nussdorfer

Attest: /s/ Mary Sova

BOARD OF LIGHT & POWER OF THE CITY OF LOWELL, MICHIGAN

Chairman, Board of Light and Power, 120 West Main Street,  
Lowell, Michigan 49331

By /s/ King Doyle

Attest: /s/ Orville J. McKay

CITY OF PETOSKEY, MICHIGAN

Director of Utilicities, 200 Division, Petoskey, Michigan 49770

By /s/ Joe C. Kilborn

Attest: /s/ Leona Reissener

CITY OF PORTLAND, MICHIGAN

Superintendent, Electric Department, Generation and Transmission,  
723 East Grand River, Portland, Michigan 48875

By /s/ Joseph V. Tichvon

Attest: /s/ Kathleen Smith

LIGHT & POWER BOARD OF THE CITY OF TRAVERSE CITY, MICHIGAN

Director, Traverse City Light and Power, 400 Boardman Avenue,  
P. O. Box 592, Traverse City, Michigan 49684

By /s/ Nancy C. Hayward

Attest: /s/ William P. Strom

CITY OF ZEELAND, MICHIGAN

Manager of Utilities, City Hall, Zeeland, Michigan 49464

By /s/ Raymond G. Schaap

Attest: /s/ Mary Richardson

BY-LAWS  
OF  
MICHIGAN PUBLIC POWER AGENCY

Preamble: These By-Laws are adopted pursuant to Section 37 of Act 448 of the Public Acts of Michigan of 1976 (Act 448), as amended, for the regulation of the affairs and conduct of the business of the Michigan Public Power Agency (Agency)

ARTICLE I  
AGENCY NAME, PRINCIPAL PLACE OF BUSINESS,  
PURPOSE AND POWERS

Section 1.1. Agency Name. The name of the Agency shall be: “Michigan Public Power Agency.”

Section 1.2. Principal Place of Business. Until establishment of a principal place of business of the Agency by resolution of the Board of Commissioners, the Chairperson of the Board of Commissioners shall designate the address of the principal place of business of the Agency.

Section 1.3. Purpose. The purpose of the Agency is as set forth in Act 448 and the Articles of Incorporation.

Section 1.4. Corporate Seal. The Agency shall have a corporate seal which shall be circular in form containing the words “Michigan Public Power Agency - Official Seal 1978.”

Section 1.5. Power and Duties. The Agency shall have the powers and duties enumerated in Act 448 and the Articles of Incorporation.

Section 1.6. Definitions. Unless the context indicates otherwise, words used in these By-Laws shall have the same meaning as in Act 448.

## ARTICLE II

### BOARD OF COMMISSIONERS

Section 2.1. Board of Commissioners and Alternate Commissioners. The Agency shall be governed by a Board of Commissioners appointed by the respective governing bodies of the municipalities which are members of the Agency. The governing body of each member municipality shall by resolution appoint one commissioner. The governing body of each member municipality may by resolution appoint an Alternate Commissioner who shall be entitled to vote only in the absence of the Commissioner. If a 2nd Alternate Commissioner is appointed in the resolution of the governing body of the member municipality, the resolution shall designate who shall be the 1st Alternate Commissioner and the 2nd Alternate Commissioner. In the event more than one Alternate Commissioner attends a meeting of the Agency, including any of its committees, the Alternate Commissioner with the highest designation shall be recognized and entitled to vote in the absence of the Commissioner.

Section 2.2. By-Laws Amendments. These By-Laws may be amended by the affirmative vote of not less than two-thirds (2/3) of the members of the Board of Commissioners. A final vote shall not be taken on proposed amendments to these By-Laws until thirty (30) days after written notice of the proposed amendment shall have been mailed to the clerk of the governing bodies of each of the member municipalities.

Section 2.3. Quorum. A majority of the member municipalities of the Agency shall constitute a quorum for the transaction of business at any meeting of the Board of commissioners. A vacancy in the Board of Commissioners shall not impair the rights of the Board of Commissioners to exercise all the rights and perform all the duties of the Board of Commissioners. An affirmative vote of the Commissioners representing a majority of the member municipalities of the Agency shall be necessary to pass a resolution or take any other official action.

Section 2.4. Compensation. Commissioners shall not receive any compensation from the Agency for the performance of their duties as a Commissioner. The Agency shall not reimburse the commissioners for expenses in connection with the annual meeting of the Board of Commissioners.

Section 2.5. Adjournment. The members of the Board of Commissioners present may adjourn the annual, adjourned annual, regular, special, or adjourned special meeting to a time and place specified in the order of adjournment. A quorum shall not be required to adjourn a meeting to a specified date, time and place.

Section 2.6. Annual Meeting. The annual meeting of the Board of Commissioners shall be held on the third Tuesday in April in each year commencing April 15, 1980 at the principal place of business of the Agency at 10:00 a.m. , or at such other place and time as shall be designated by the Board of Commissioners. Business to come before the annual meeting shall include the election of officers, consideration of reports and transaction of such other business as may come before the meeting.

Section 2.7. Regular and Special Meetings. The Board of Commissioners shall establish the time, date and place of regular meetings of the Board of commissioners. Special meetings of the Board of Commissioners may be called by the Chairperson or any two Commissioners and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as herein-after provided. Special meetings of the Board of Commissioners shall be held at such time and place as shall be fixed by the Chairperson or the Commissioners calling the meeting.

Section 2.8. Notice of Meeting. Written notice of the schedule, time and place of regular meetings, or the annual meeting, or of any special meeting, of the Board of Commissioners shall be delivered to the office of each Commissioner not less than three nor more than thirty-five days before the date fixed for the first scheduled regular meeting and each annual and special meeting. Notice shall be by or at the direction of the Secretary or upon the Secretary's default by the Chairperson or the commissioners calling the meeting. If deposited in the United States mail seven days prior to the date of the meeting addressed to the office of the Commissioner at the address as it appears in the records of the Agency, such notice shall be deemed delivered in compliance with this section.

Section 2.9. Waiver of Notice. Whenever any notice is required to be given to any Commissioner of the Agency, a waiver thereof in writing, signed by such Commissioner whether before or after the time stated therein, shall be equivalent to the giving of such notice. Attendance of a Commissioner at any meeting of the Board of Commissioners shall constitute a waiver by such commissioner of notice of such meeting except when such Commissioner attends the meeting for the express purpose of objecting to the transaction of any business because of the claim that the meeting has not been lawfully called or convened.

Section 2.10. Voting. Each Commissioner shall have one vote which shall be cast by the Commissioner or in the absence of the commissioner by the Alternate Commissioner representing the member.

ARTICLE III  
OFFICERS

Section 3.1. Officers. The officers of the Agency shall be a Chairperson, a Vice-Chairperson, a Secretary, a Treasurer, and, if desired, an Assistant Secretary. The office of Treasurer may be held by the Secretary or Assistant Secretary. The Board of commissioners may appoint additional officers as it deems necessary. The Chairperson and the Vice—Chairperson of the Agency must be Commissioners. Other officers of the Agency need not be Commissioners.

Section 3.2. Election and Tern of Office. The officers of the Agency shall be elected by the Board of Commissioners at the annual meeting. Each officer shall hold office until resignation, death, or until a successor shall have been duly elected.

Section 3.3. Vacancies. A vacancy in any office may be filled by the Board of Commissioners for the unexpired portion of the term.

Section 3.4. Chairperson. The Chairperson shall be the principal elected officer of the Agency and shall, when present, preside at all meetings of the Board of Commissioners. The Chairperson shall perform all duties incident to the office of Chairperson and other duties as may be prescribed by the Board of Commissioners.

Section 3.5. Vice-Chairperson. In the absence of the Chairperson or in the event of the Chairperson’s inability to act, the Vice-Chairperson shall perform the duties of the chairperson. The Vice-Chairperson shall perform other duties as may be assigned by the Chairperson or by the Board of Commissioners.

Section 3.6. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Commissioners in books provided for that purpose. The Secretary shall promptly distribute copies of minutes of the meetings of the Board of Commissioners and meetings of all committees to each of the Commissioners. The Secretary shall have charge of all books and records which shall at all reasonable times be open to inspection and examination by the Board of Commissioners or any member municipality of the Agency. The Secretary shall perform all duties incident to the office of Secretary and other duties as may be prescribed by the Board of Commissioners.

Section 3.7. Assistant Secretary. The Assistant Secretary shall perform the duties of the Secretary in the Secretary's absence and shall perform such other duties as may from time to time be assigned by the Secretary or the Board of Commissioners.

Section 3.8. Treasurer. The Treasurer shall have custody of all the funds and securities of the Agency. When necessary or proper, the Treasurer shall endorse in behalf of the Agency for collection, checks, notes, and other obligations and deposit them to the credit of the Agency in a designated bank or depository. The Treasurer shall, with such other officers as may be designated by the Commission, sign all checks, promissory notes, and other obligations of the Agency. The Treasurer shall enter regularly in the financial books of the Agency a full and accurate account of all monies received and paid on account of the Agency and shall at all reasonable times, exhibit the books and accounts to the Board of Commissioners or any member municipality of the Agency. The Treasurer shall be bonded for the faithful discharge of the duties of the Treasurer. The bond shall be of such insurance or surety company, form and amount as the Board of Commissioners may require. The Treasurer shall perform all duties incident to the office of Treasurer and other duties as may be prescribed by the Board of Commissioners.

Section 3.9. General Manager. The General Manager shall be the chief executive and operating officer of the Agency. The General Manager shall exercise the management of the properties and business of the Agency and its employees. The General Manager shall direct the enforcement of all policies, resolutions, rules and regulations adopted by the Board of Commissioners and shall enter into contracts as necessary under the general control and direction of the Board of Commissioners. The General Manager shall serve at the pleasure of the Board of Commissioners. Subject to the approval of the Board of Commissioners, the General Manager may appoint the officers, employees, and agents necessary to carry out the general purposes of the Agency.

Section 3.10. Removal of Officers. Any officer or agent elected or appointed by the Board of Commissioners may be removed by resolution of the Board of Commissioners with or without cause whenever in its judgment the best interests of the Agency will be served thereby.

#### ARTICLE IV

#### COMMITTEES

Section 4.1. Project Committees. The Board of Commissioners shall establish a Project Committee for each project proposed to and approved for consideration by the Agency. The



Commissioner or a person designated in writing by the Commissioner of a municipality electing to participate in the project shall be a member of the Project Committee. The Board of Commissioners by resolution may approve or disapprove, but not alter, amend or modify, proposed Agency action approved by a Project Committee. Each member of a Project Committee shall have the percent of the total number of votes and fractions thereof that the amounts to be contributed to the project by the participating municipality represented by such Project Committee member bears to the total amount to be contributed to the project by all participating municipalities. The Project Committee shall elect officers and may establish subcommittees as the Project Committee deems necessary.

Section 4.2. Other Committees. The Board of Commissioners may provide by resolution for an Executive Committee or for other committees or both to carry on certain functions of the Board of Commissioners; and in such event, such committee or committees shall have those powers specifically set out in the resolution of the Board of Commissioners creating such committee or committees.

Section 4.3. Committee Chairpersons. The Chairperson of a Project Committee shall be elected by the members of the Project Committee. The Chairperson of the Board of Commissioners shall appoint one member of each committee other than a Project Committee to serve as Chairperson.

Section 4.4. Committee Secretary. Each committee shall elect a Secretary who shall promptly furnish minutes of all committee meetings to the Secretary of the Agency.

Section 4.5. Vacancies. Vacancies in the membership of any committee except a Project Committee or its subcommittees may be filled by the Board of Commissioners.

Section 4.6. Quorum. Except as to a Project Committee, and unless otherwise provided in the resolution of the Board of Commissioners establishing a Committee, a majority of the members of a committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee. In the case of the Project Committee, a quorum shall consist of the Committee Members representing a majority of the votes as determined in Section 4.1 but, unless the Project Committee has only one member, a quorum shall never be less than two members. The act of at least two Project Committee members, or one Project Committee member if there is only one, representing a majority of the votes at a meeting at which a quorum is present shall be the act of a Project Committee.

Section 4.7. Rules. Each committee may adopt rules for the conduct of its business which are not inconsistent with these By-Laws or with rules adopted by the Board of Commissioners, or with instructions, if any, contained in the resolution of the Board of Commissioners establishing such committee.

ARTICLE V  
MISCELLANEOUS

Section 5.1. Budgets. The General Manager shall cause to be prepared a general operating and capital budget for each calendar year, including the non-project related Agency membership dues for such year, and submit the same to the members of the Board of Commissioners for approval.

Section 5.2. Membership in other Organizations. The Agency upon favorable vote of a majority of the Board of Commissioners may become a member, an associate or a stockholder of any organizational corporation, or association engaged in generating, transmitting or distributing electric power or promoting the development and utilization of low cost power and for the purchase or use of any other materials, equipment, or services necessary or incidental to the business of wholesale bulk power supply for the Agency or any of its members.

Section 5.3. Resignation. A municipality may withdraw from the Agency, except that all contractual rights acquired and obligations incurred while a member municipality remain in full force and effect.

Section 5.4. New Members. Any municipality described in Section 31 of Act 448 which did not join in the original incorporation of the Agency may become a Member municipality of the Agency by joining one of two membership classes. The classes and the rights, privileges and obligations of each class are as follows:

- (1) Full Member
  - a) A Full Member has the ability to participate in all Agency services and activities, including participation in any Agency Projects that allow participation by new Members.
  - b) A Full Member shall be responsible for paying Agency Dues and any other charges associated with the Agency on the same basis and under the same terms as all other Full Members of the Agency.

- c) A municipality may become a Full Member of the Agency upon completion of the following actions:
  - 1) The governing body of the municipality must pass a resolution that indicates its intent and desire to become a Full Member of the Agency.
  - 2) There is a unanimous affirmative vote by each Full Member of the Agency to admit the requesting municipality as a Full Member of the Agency.
  - 3) A copy of the Agency Articles of Incorporation, amended to include the name of the new Member, must be filed with the County Clerk of each of the counties where the new or existing Full Agency Members are located

(2) Associate Member

- a) As authorized by resolution of the Board of Commissioners, Associate Members with limited participatory rights may be admitted as provided in this subsection and may become Full Members without any further approval of the Board of Commissioners as provided in the resolution.
- b) An Associate Member has the ability to participate in all Service Committees that have been created by one or more Full Members of the Agency.
- c) An Associate Member may not be a participate in any formal Project that is created by the Agency for its Members.
- d) At any time that the Board of Commissioners of the Agency determines that a Service Committee should become, or be replaced by, a formal MPPA Project, any Associate Member that has been participating in that Service Committee must either become a Full Member of the Agency, or else cease to obtain the services and assistance that was being provided by the Service Committee.
- e) An Associate Member shall be responsible for paying any costs or charges that may be ser by the Agency Board of Commissioners and any Service Committee in which the Associate Members participates.
- f) A municipality may become an Associate Member of the Agency upon completion of the following actions:
  - 1) The governing body of the municipality must pass a resolution that indicates its intent and desire to become an Associate Member of the Agency.

- 2) The Board of Commissioners unanimously adopts a resolution admitting the Associate Member.
- g) The resolution of the Board of Commissioners may provide that the Associate Member may become a Full Member upon notification by the governing board of the Associate Member of its desire to do so and may further provide that the approval of the Board of Commissioners is not subject to revocation.

Section 5.5. Severability. In the event that any of the terms, covenants, or conditions of these By-Laws or their application shall be held invalid as to any person, corporation, or circumstance by any court of competent jurisdiction, the remainder of these By-Laws shall not be affected thereby.

FIFTH AMENDED  
ARTICLES OF INCORPORATION  
OF  
MICHIGAN PUBLIC POWER AGENCY

These Articles of Incorporation of the Michigan Public Power Agency are adopted by the incorporating municipalities for the purpose of creating a joint power agency under the provisions of Act 448 of the Public Acts of Michigan of 1976 ("Act 448").

ARTICLE I

The name of this corporation is Michigan Public Power Agency.

ARTICLE II

Section 1. The incorporating municipalities creating the Michigan Public Power Agency (the "Agency") were the Cities of Bay City, Charlevoix, Croswell, Grand Haven, Harbor Springs, Hart, Holland, Lowell, Petoskey, Portland, St. Louis, South Haven, Traverse City and Zeeland, and the Village of Chelsea, all municipal corporations of the State of Michigan operating municipal electric utility systems as of the effective date of Act 448 of the Public Acts of Michigan of 1976, as the same may be amended from time to time ("Act 448").

Section 2. The members of the Agency are the cities of Bay City, Charlevoix, Grand Haven, Harbor Springs, Hart, Holland, Lansing, Lowell, Petoskey, Portland, Traverse City, Wyandotte and Zeeland, and the Village of Chelsea, all municipal corporations of the State of Michigan operating municipal electric utility systems as of the effective date of Act 448.

### ARTICLE III

This Agency is incorporated for the purpose of undertaking the planning, financing, development, acquisition, construction, reconstruction, improvement, enlargement, betterment, operation, or maintenance of a project or projects to supply electric power and energy for the present or future needs of the members of the Agency or supplemental method of obtaining the benefit and assuming the responsibilities of ownership in a project and to do all other acts and things and enjoy all further powers and purposes provided by Act 448.

### ARTICLE IV

#### POWERS AND DUTIES:

Section 1. The Agency shall be a public body politic and corporate with power to sue and be sued in any court of the State of Michigan.

Section 2. The Agency shall have the powers and duties enumerated in Act 448, together with all such other powers not inconsistent therewith as may be necessary for and convenient and incident to the carrying out of the purposes of the Agency, either alone or in conjunction with other corporations, firms or individuals, whether situated within or without the State of Michigan, to the extent permitted by Act 448.

Section 3. For the purpose of accomplishing the objects of its incorporation, the Agency may acquire property by purchase, construction, lease, gift, devise or condemnation, and for the purpose of condemnation it may proceed under the provisions of Act No. 149 of the Public Acts of 1911 of Michigan, as now or hereafter amended, or any other appropriate statute.

Section 4. As a condition of membership in the Agency each

municipality shall pay a membership fee of One Thousand Dollars (\$1,000), which shall not be refundable.

Section 5. For the purpose of defraying the project costs of a project as defined in Act 448, the Agency may issue revenue bonds in accordance with and subject to the provisions of Act No. 448.

Section 6. All property owned by the Agency shall be exempt from taxation by the State or any taxing unit therein.

Section 7. The term of this corporation and the Agency shall be perpetual, or until terminated in accordance with law and these Articles of Incorporation.

## ARTICLE V

### GOVERNING BODY, OFFICERS:

Section 1. The Agency shall be governed by a board of commissioners appointed by the respective governing bodies of the municipalities which are members of the Agency. The governing body of each member municipality shall, by resolution, appoint one (1) commissioner who, at the discretion of the governing body, may be an officer or an employee of the municipality. Each commissioner shall serve at the pleasure of the governing body by which he or she was appointed.

Section 2. The board of commissioners of the Agency shall annually elect one (1) of the commissioners as chairperson, another commissioner as vice-chairperson, and another person or persons, who may or may not be a commissioner, as treasurer, secretary, and if desired, assistant secretary. The office of treasurer may be held by the secretary or assistant secretary. The

board of commissioners may appoint additional officers as it deems necessary. The secretary or assistant secretary of the Agency shall keep a record of the proceedings of the Agency, and the secretary shall be the custodian of all records, books, documents, and papers filed with the Agency, the minutes or journal of the Agency, and its official seal.

Section 3. The board of commissioners shall adopt and may amend by-laws and rules of procedure providing regular meetings of the board of commissioners, duties of the officers and methods of voting on various matters.

Adoption and amendment of by-laws shall require a two-thirds majority vote of the members of the board of commissioners. A final vote shall not be taken on proposed by-laws or amendments until they have been referred to the governing bodies of the member municipalities for one month.

Section 4. The commissioners shall adopt a corporate seal and employ a general manager, full time or part time, as required by Act 448.

Section 5. The books and records of the Agency and board of commissioners, officers and agents thereof, shall be open to inspection and audit by the incorporating municipalities at all reasonable times. The Agency shall submit an annual report to the incorporating members.

## ARTICLE VI

### INCORPORATION:

Section 1. The Clerk of each incorporating municipality shall cause a copy of these Articles of Incorporation or any amendment thereto to be published once in a newspaper of general circulation within the municipality which shall be:

The Charlevoix Courier in and for the City of Charlevoix.

The Bay City Times, in and for Bay City.



The Chelsea Standard, in and for the Village of Chelsea.  
The Grand Haven Tribune, in and for the City of Grand Haven.  
The Hart Journal, in and for the City of Hart.  
The Holland Sentinel, in and for the City of Holland.  
The Lansing State Journal, in and for the City of Lansing.  
The Grand Valley Ledger, in and for the City of Lowell.  
The Petoskey News Review, in and for the City of Petoskey and the City of Harbor Springs.  
The Independent Review and Observer, in and for the City of Portland.  
The Traverse City Record Eagle, in and for Traverse City.  
The News Herald, in and for Wyandotte.  
The Zeeland Record, in and for the City of Zeeland.

Section 2. The Clerks of each municipality shall file a printed copy of the Articles of Incorporation with the county clerk of the county or counties in which that municipality is located and shall forward proof of filing and publication to the secretary of the Agency which shall file a copy with the secretary of state as required by Act 448.

## ARTICLE VII

### AMENDMENTS: NEW MEMBERS: DISSOLUTION:

Section 1. Amendments may be made to these Articles of Incorporation and new members admitted to the Agency as provided in Act 448.

Section 2. When the board of commissioners of the Agency and the governing bodies of its member municipalities shall by resolution determine that the purposes for which the Agency was formed have been substantially fulfilled and that bonds issued and other obligations incurred by the Agency have been fully paid or satisfied, the board of commissioners and governing bodies may declare the Agency to be dissolved. On the effective date of the

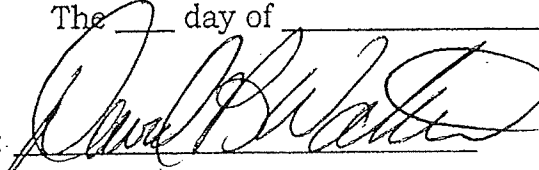
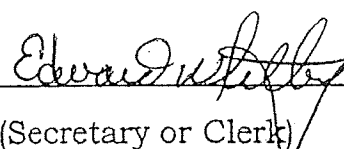
resolutions dissolving the Agency, the title to the funds and other properties owned by the Agency at the time of dissolution shall vest in the member municipalities of the Agency as provided in the by-laws of the Agency, and in accordance with Section 11 of Act 448.

ARTICLE VIII

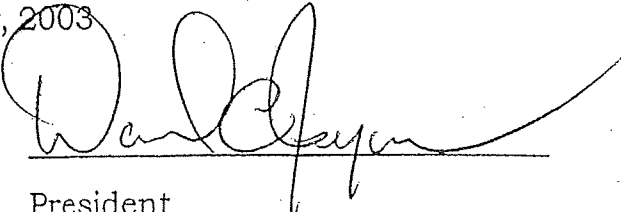
These Articles of Incorporation shall become effective and be in full force and effect on their publication and filing as required by Act 448.

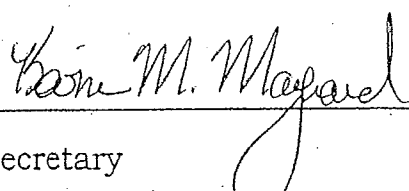
IN WITNESS WHEREOF, the incorporating municipalities have adopted and authorized to be executed these Articles of Incorporation on their behalf by their authorized officers.

The \_\_\_\_\_ day of \_\_\_\_\_, 2003.

By:  (Chief Executive Officer  
Governing Body)       (Secretary or Clerk)

The foregoing Articles of Incorporation were adopted by the Municipal Service Commission of the City of Wyandotte, County of Wayne, Michigan at a meeting duly held on the 27<sup>th</sup> day of May, 2003

Dated: 6-24-03, 2003        
President

  
Secretary

**MICHIGAN ENERGY EMPLOYMENT ACT OF 1976**  
**Act 448 of 1976**

AN ACT to prescribe the powers and duties of municipalities and governmental units to acquire, finance, maintain, and operate generating, transmission, and distribution facilities of electric power and energy, fuel and energy sources and reserves and all necessary related properties, equipment and facilities; to permit the exercise of those powers in joint venture or joint agency agreements; to provide for the issuance of bonds and notes; to prescribe the powers and duties of the municipal finance commission or its successor agency and of certain other state officers and agencies with respect to municipal electric utility financing; to create certain funds and prescribe their operation; to provide for tax exemptions and other exemptions; and to prescribe penalties and provide remedies.

**History:** 1976, Act 448, Imd. Eff. Jan. 13, 1977;—Am. 1983, Act 120, Imd. Eff. July 18, 1983;—Am. 1998, Act 193, Eff. Mar. 23, 1999.

*The People of the State of Michigan enact:*

ARTICLE 1  
GENERAL ADMINISTRATIVE PROVISIONS

**460.801 Short title.**

Sec. 1. This act may be cited as the "Michigan energy employment act of 1976".

**History:** 1976, Act 448, Imd. Eff. Jan. 13, 1977.

**460.802 Meanings of words and phrases.**

Sec. 2. For purposes of this act, the words and phrases defined in sections 3 to 6 shall have the meanings respectively ascribed to them in those sections.

**History:** 1976, Act 448, Imd. Eff. Jan. 13, 1977.

**460.803 Definitions; E to J.**

Sec. 3. (1) "Electric utility facility" means a facility which a municipality is authorized to acquire as part of a municipal electric utility system under this act or other law.

(2) "Governing body" means the council, commission, or board of trustees of a municipality, or when the charter of a municipality provides that a separate board has general management over the municipal electric utility system, "governing body" means that separate board, subject to review by the legislative body of the municipality as its charter may provide.

(3) "Governmental unit" means a municipality or a joint agency.

(4) "Joint agency" means a public body corporate and politic consisting of a combination of 2 or more municipalities, authorities, or other public bodies organized under article 3.

**History:** 1976, Act 448, Imd. Eff. Jan. 13, 1977;—Am. 2008, Act 21, Imd. Eff. Mar. 7, 2008.

**460.804 Definitions; M.**

Sec. 4. (1) "Municipal bond" means a bond or note or other evidence of indebtedness payable from ad valorem taxes which a governmental unit may issue.

(2) "Municipal electric utility system" means a system owned by a municipality or combination of municipalities to furnish heat, power, and light.

(3) "Municipality" means a city, county, incorporated village, township, or metropolitan district of this state, or a board, agency, or commission thereof, owning a system or facility for the generation, transmission, or distribution of electric power and energy for public or private use, or proposing to own such a system or facility.

**History:** 1976, Act 448, Imd. Eff. Jan. 13, 1977.

**460.805 Definitions; P.**

Sec. 5. (1) "Project" means a system or facility, inside or outside the state, or service related to a system or facility inside or outside the state, for the generation, transmission, or transformation of electricity, in whole or in part, or for sale to or use by a municipal electric utility system or joint agency by any means. Project also means stock, membership units, contractual interests, or any other interest in a system or facility, inside or outside of the state, for the generation, transmission, or transformation of electricity or in a multistate regional transmission system organization approved by the federal government and operating in this state or a transmission-owning entity which is a member of a multistate regional transmission system organization

Rendered Wednesday, March 12, 2008

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Michigan Compiled Laws Complete Through PA 21 of 2008

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approved by the federal government and operating in this state.

(2) "Project cost" includes, but is not limited to, the cost of acquisition, construction, improvement, or extension of a project, the cost of studies, plans, specifications, surveys, and estimates of related costs and revenues, the cost of land, land rights, rights of way, easements, water rights, fees, permits, approvals, licenses, certificates, franchises, and the preparation of any required applications, engineering and inspection expenses, financing costs, working capital, fuel costs, interest on bonds, establishment of reserves, and all other costs of the municipality or joint agency that are incidental, necessary, or convenient to the acquisition, construction, improvement, or extension of a project.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977;—Am. 2002, Act 513, Imd. Eff. July 23, 2002;—Am. 2008, Act 21, Imd. Eff. Mar. 7, 2008.

#### **460.806 Definitions; P to R.**

Sec. 6. (1) "Person" means an individual, corporation, association, partnership, governmental entity, or any other legal entity.

(2) "Power utility" means any person engaged or that may engage, inside or outside the state, in generating, transmitting, or distributing or furnishing electricity.

(3) "Power utility bond" means electric utility bonds, notes, or other evidences of indebtedness of a municipality, including refunding bonds issued to underwrite projects authorized by this act.

(4) "Revenues" means all fees, charges, moneys, profits, payment of principal of, or interest on, municipal or power utility bonds, or other gifts, grants, contributions and appropriations.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977;—Am. 2008, Act 21, Imd. Eff. Mar. 7, 2008.

#### **460.807 Sources of electrical energy for distribution and sale; facilities for control, abatement, or prevention of pollution or damages to environment; facilities for safe disposal of waste or by-products.**

Sec. 7. The governing body of a municipal electric utility system may purchase, acquire, construct, improve, enlarge, extend, or repair in the name of the municipality a source or sources of electrical energy for distribution and sale by the municipal electric utility system, whether the source is located within or without the state. A source may include, but not be limited to, facilities utilizing fossil fuels, garbage, trash, and other waste materials, nuclear fuels, water power (including pumped storage), solar energy, wind power, geothermal energy, energy derived from municipal waste of any kind, or other energy or fuel sources of whatever nature. The governing body may in relation to a source, purchase, acquire, construct, improve, enlarge, extend, or repair facilities for the control, abatement, or prevention of pollution or damage to the environment which might otherwise be caused by facilities for the generation of electric power, and may acquire facilities for the safe disposal of waste or by-products from the generation of electrical power.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

#### **460.808 Fuel sources and reserves; facilities for transportation and storage.**

Sec. 8. The governing body of a municipal electric utility system may purchase, acquire, construct, improve, enlarge, extend, or repair in the name of the municipality fuel sources and reserves it deems necessary to the continued efficient operation of the municipal electric utility system, together with the necessary facilities for transportation and storage. The fuel sources and reserves may include, but not be limited to, advance payments on contracts for nuclear fuels, and contracts for heat from facilities belonging to others. Facilities for transportation and storage of fuels shall include, but not be limited to, pipelines, conveyor systems, railroad cars, ships, storage tanks, underground storage areas, and other necessary and related appurtenances.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

#### **460.809 Facilities for transmission of energy; contracts with other power utilities.**

Sec. 9. The governing body of a municipal electric utility system may purchase, acquire, construct, improve, enlarge, extend, or repair facilities for the transmission of energy, and may contract for the purchase, sale, exchange, interchange, wheeling, pooling, or transmission of electrical energy with another power utility for a consideration and for a period and upon other terms and conditions as may be determined by the parties to the agreement.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977;—Am. 2008, Act 21, Imd. Eff. Mar. 7, 2008.

#### **460.810 Electric utility facilities; exercise of authority by governing body.**

Sec. 10. The governing body of a municipal electric utility system may exercise its authority to plan, finance, acquire, construct, own, operate, maintain, and improve electric utility facilities, individually, in joint venture agreements authorized by article 2, or in joint agency agreements as authorized by article 3, or in other joint endeavors authorized by this act or other law, and in cooperation with 1 or more other power utilities, whether authorized by this act or other law.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

**460.811 Joint venture, joint agency agreement, or other joint endeavor; percentage of common facility to be owned; exception; defraying interest and other payments; operation and maintenance expenses.**

Sec. 11. A municipality engaging in a joint venture, joint agency agreement, or other joint endeavor described in section 10 and authorized by article 2 or article 3 shall own a percentage of any common facility equal to the percentage of the money furnished or the value of the property supplied by the municipality for the acquisition and construction of the common facility, except in the case of a facility at least 2/3 of which is owned or to be owned by a state, a political subdivision of this or another state or a Canadian province, an agency of this or another state or of a political subdivision of this state or another state, a federal agency, or a Canadian federal or provincial agency or agency of a political subdivision of a Canadian province, or any corporation or other entity controlled directly or indirectly by 1 or more of the entities listed above, in which case ownership shall be as provided in the contract between the municipality or joint agency and the entity owning or to own at least 2/3 of the facility. Each municipality in a joint endeavor shall defray its own interest and other payments required to be made in connection with a financing undertaken by it to pay its own percentage of the money furnished or the value of the property supplied by it for the planning, acquisition, and construction of a common facility, or an addition or betterment to the common facility. The agreement shall provide a uniform method of determining and allocating operation and maintenance expenses of the joint facility or agency.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977;—Am. 2008, Act 21, Imd. Eff. Mar. 7, 2008.

**460.812 Financing cost of electric utility facility; bonds.**

Sec. 12. A municipality may finance the cost of an electric utility facility, or its share of the cost of an electric utility facility acquired jointly pursuant to article 2 or article 3 or other law, by any lawful means available to the municipality, including the issuance of general obligation bonds pursuant to charter authority, the issuance of revenue bonds pursuant to Act No. 94 of the Public Acts of 1933, as amended, being sections 141.101 to 141.139 of the Michigan Compiled Laws, or the issuance of mortgage bonds pursuant to charter authority. An agreement for the joint acquisition of facilities entered into under this act shall be subject to provisions contained in this and other law relating to the issuance of bonds by the municipality. It is declared to be in the public interest and for a public purpose that power utilities be permitted to participate jointly in the development of electric facilities as provided in this act as a means of achieving economies of scale and promoting the economic development of the state; and to this end the issuance of revenue bonds is a public purpose. A municipality may pledge for the payment of the principal of, premium if any, and interest on the bonds, the revenues, or a portion thereof, derived or to be derived from the ownership and operation of the municipality's system or facilities for the generation, transmission, or distribution of electric power or energy, or its interest in a joint project or projects, except that the proceeds of the bonds issued for a joint project and the faith and credit of the municipality pledged for the bonds shall be dedicated exclusively to the acquisition of the municipality's undivided share of a joint project as specified in section 11.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

**460.813 Exemption from taxation.**

Sec. 13. To the extent of ownership by governmental units or joint agencies, projects undertaken pursuant to joint venture agreements authorized by article 2 or joint agency agreements authorized by article 3 of this act are exempt from assessment, collection, and levy of general or special taxes of the state or its political subdivisions. Income produced from municipal ownership in a joint venture or a joint agency shall be exempt from taxation by the state or its political subdivisions. A joint agency corporation formed under article 3 shall not be required to pay taxes upon its income, existence, or franchise. The bonds and notes issued by a municipality in a joint venture agreement or a joint agency corporation, their transfer and the income therefrom, including a profit made on the sale of the bonds or notes, shall be exempt from taxation within this state.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

#### **460.814 License agreements.**

Sec. 14. In connection with the ownership and operation of an electric utility facility, whether owned individually or jointly, the governing body of a municipal electric utility system may enter into the necessary license agreements with federal, state, or Canadian regulatory agencies, and comply with conditions imposed by the licensing agency, including, but not limited to, actions necessary to preserve and protect the environment, the acquisition of required public liability insurance, including waiver of defenses and payment of retrospective premiums, and other actions as may be necessary.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

#### **460.815 Grants in aid and loans.**

Sec. 15. The governing body of a municipality or the board of commissioners of a joint agency may make application and enter into contracts for, and accept grants in aid and loans from state and federal agencies and private and public organizations for any purpose authorized by this act. Pursuant to this authority, the governing body of a municipality or the board of commissioners of a joint agency may:

(a) Enter into and carry out contracts with the state or federal government or an agency or institution thereof under which the government, agency, or institution grants financial or other assistance to the municipality or joint agency.

(b) Accept assistance or funds granted or loaned by the state or federal government, with or without a contract.

(c) Agree to or comply with reasonable conditions which are imposed upon a grant or loan accepted under this section.

(d) Make expenditures from funds granted or loaned.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

#### **460.816 Eminent domain.**

Sec. 16. A municipality may take private property under Act No. 149 of the Public Acts of 1911, as amended, being sections 213.21 to 213.41 of the Michigan Compiled Laws, for the purposes defined in and authorized by this act, which taking and use shall be considered necessary for public purposes and for public benefit, except that a municipality shall not exercise its power of eminent domain to acquire an existing electrical generation or transmission facility or a part thereof held in private ownership, without first securing in writing the approval of the lawful private owner or owners. The acquired property may be conveyed for use in joint agency or joint venture projects authorized by this act in a manner and upon terms as the municipality deems appropriate.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

## ARTICLE 2

#### **460.821 Joint venture agreement; undivided interest in project; determination of future power requirements.**

Sec. 21. (1) A governmental unit may join in a joint venture agreement to plan, finance, develop, construct, reconstruct, acquire, improve, enlarge, better, own, operate, or maintain an undivided interest in a project situated within or without the state with 1 or more municipalities, joint agencies, or power utilities; and make plans and enter into contracts in connection with that project, not inconsistent with this act, as are necessary or appropriate.

(2) Before entering a joint venture agreement, the governing body of a municipality shall determine the needs of the municipality for power and energy based on engineering studies and reports. In determining the future power requirements of a municipality, the following shall be considered:

(a) The economies and efficiencies to be achieved in constructing on a large scale facilities for the generation and transmission of electric power and energy.

(b) The municipality's need for reserve and peaking capacity, and to meet obligations under pooling and reserve sharing agreements reasonably related to its needs for power and energy to which it is or may become a party.

(c) The estimated useful life of the project.

(d) The estimated time necessary for the planning, development, acquisition, or construction of the project, and the length of time required in advance to obtain, acquire, or construct additional power supply.

(e) The reliability and availability of existing or alternative power supply sources, and the cost of those existing or alternative power supply sources.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977;—Am. 2008, Act 21, Imd. Eff. Mar. 7, 2008.

**460.822 Joint venture agreement; proportion of undivided interest in project to be owned; percentage share of output and capacity; liability; restrictions as to money, property, or undivided share; acquisition of project; sources of money; providing property, services, and other considerations.**

Sec. 22. Pursuant to a joint venture agreement, each governmental unit shall own an undivided interest in a project or projects in proportion to the amount of money furnished or the value of property or other consideration supplied by the governmental unit for the planning, development, acquisition, or construction of the project, and each governmental unit shall be entitled to a percentage share of output and capacity from the project equal to its undivided interest. Each governmental unit shall be severally liable for its own acts, but shall not be jointly or severally liable for the acts, omissions or obligations of other governmental units or power utility party to the joint venture agreement, and money or property or other consideration supplied by the governmental unit shall not be credited or otherwise applied to the account of another governmental unit or power utility, nor shall the undivided share of a governmental unit in a project be charged directly or indirectly with a debt or obligation of another governmental unit or be subject to a lien as a result of a debt or obligation of another governmental unit or power utility. The acquisition of a project may include, but not limited to, the purchase or lease of an existing, completed project, or the purchase of a project under construction. A governmental unit participating in the joint planning, financing, construction, reconstruction, acquisition, improvement, enlargement, betterment, ownership, operation, or maintenance of a project under this act may furnish money derived from the proceeds of bonds, from the ownership and operation of its electrical system, or from any other source, and may provide property, both real and personal, services, and other considerations.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

**460.823 Joint venture agreement; terms, conditions, and provisions; ratification of contracts by resolution; provisions of contract.**

Sec. 23. A joint venture agreement entered into by governmental units with respect to joint ownership in a project shall contain those terms, conditions, and provisions, not inconsistent with this act, as the governing bodies of the governmental units determine to be in the interest of the governmental units. The contracts shall be ratified by resolution of the governing body of each governmental unit in the manner as may be prescribed by law or local charter. A contract shall include provisions relating to, but not limited to, the following:

- (a) The purpose or purposes of the contract.
- (b) The duration of the contract.
- (c) The method of appointing or employing the personnel necessary in connection with the project.
- (d) The method of financing the project, including the apportionment of costs and revenues.
- (e) The ownership interests of the parties in property used or useful in connection with the project, and the procedures for disposition of that property when the contract expires or is terminated, or when the project is abandoned, decommissioned, or dismantled.
- (f) The prohibition or restrictions of the alienation or partition of a governmental unit's undivided interest in a project, which provisions shall not be subject to a law restricting covenants against alienation or partition.
- (g) The construction of a project, which may include the determination that a governmental unit jointly participating, or a person, firm, or corporation, may construct the project as agent for all parties to the joint venture agreement.
- (h) The operation and maintenance of a project, which may include a determination that a governmental unit jointly participating, or that a person, firm, or corporation, may operate and maintain the project for all parties.
- (i) Detailed project costs.
- (j) The creation of a committee of representatives of the governmental units or power utility jointly participating, which committee shall have powers regarding the construction and operation of the project as the contract, not inconsistent with this act, may provide.
- (k) If 1 or more of the governmental units defaults in the performance or discharge of its or their obligations with respect to the project, the other party or parties may assume, pro rata or otherwise, the obligations of the defaulting parties, and may succeed to the rights and interests of the defaulting party or parties in the project as may be agreed upon in the contract.
- (l) Methods for amending the contract.
- (m) Methods for terminating the contract.

(n) Any other necessary or proper matter.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

**460.824 Sale or exchange of capacity or output; licenses, permits, certificates, or approvals; contracts for electric power and energy; authority, rights, privileges, and immunities of personnel; annual report; operating and financial statement; audit.**

Sec. 24. (1) Capacity or output derived by a governmental unit from its ownership share of a project not then required by the governmental unit for its own use and for the use of its customers may be sold or exchanged by the governmental unit for a consideration and for a period and upon other terms and conditions as may be determined by the parties to the sale.

(2) Municipalities proposing to jointly plan, finance, develop, own and operate a project, may either jointly or separately apply to the appropriate agencies of the state, the federal government, another state, or another proper agency, for the necessary licenses, permits, certificates, or approvals; may construct, maintain, and operate the project in accordance with the licenses, permits, certificates, or approvals; and may obtain, hold, and use the licenses, permits, certificates, or approvals in the same manner as the operating unit of any other power utility.

(3) Municipalities participating in a joint project or projects may enter into contracts for the purchase, sale, exchange, interchange, wheeling, pooling, or transmission of electric power and energy produced by the project or projects with a power utility.

(4) Personnel appointed by a municipality to work on a joint project shall have the same authority, rights, privileges, and immunities that the officers, agents, and employees of the appointing municipality enjoy within the jurisdictional boundaries of the municipality, whether within or without that territory, when the personnel are acting within the scope of their authority or within the course of their employment.

(5) Municipalities party to a joint project authorized by this article shall, following the end of each fiscal year, prepare an annual report of the activities of the project, including a complete operating and financial statement covering the operations of the project for that year. The municipalities shall conduct an audit of the books of records and accounts of the project to be made not less than annually by a certified public accountant, and the cost of the audit may be treated as part of the cost of construction of the project, or as part of the expense of administering the project covered by the audit.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977;—Am. 2008, Act 21, Imd. Eff. Mar. 7, 2008.

### ARTICLE 3

**460.831 Joint agency; formation; creation; purpose; determination of best interest.**

Sec. 31. A joint agency is formed when the governing bodies of 2 or more municipalities by resolution determine that it is in the best interest of the municipalities in accomplishing the purposes of this act to create a joint agency for the purpose of undertaking the planning, financing, development, acquisition, construction, reconstruction, improvement, enlargement, betterment, operation, or maintenance of a project or projects to supply electric power and energy for their present or future needs as an alternative or supplemental method of obtaining the benefits and assuming the responsibilities of ownership in a project. In determining whether the creation of a joint agency for this purpose is in the best interest of a municipality, the governing body of each municipality shall consider, but shall not be limited to, the following:

(a) Whether a separate entity may be able to finance the cost of projects in a more economic and efficient manner.

(b) Whether financial market acceptance may be enhanced if 1 entity is responsible for issuing and selling all of the bonds required for a project or projects in a timely and orderly manner and with a uniform credit rating, instead of multiple entities marketing their separate issues of bonds.

(c) Whether savings and other advantages may be obtained by providing a separate entity responsible for the acquisition, construction, ownership, and operation of a project or projects.

(d) Whether the existence of a separate entity will foster the continuation of joint planning and undertaking of projects, and the resulting economies and efficiencies to be realized from the joint planning and undertaking will serve the interests of the residents of the municipality. The determination made by the governing body of a municipality hereunder shall be conclusive.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977;—Am. 2008, Act 21, Imd. Eff. Mar. 7, 2008.

**460.832 Board of commissioners; appointment and term of commissioners.**

Sec. 32. The joint agency shall be governed by a board of commissioners appointed by the respective governing bodies of the municipalities which are members of the joint agency. The governing body of each



member municipality shall, by resolution, appoint 1 commissioner who, at the discretion of the governing body, may be an officer or an employee of the municipality. Each commissioner shall serve at the pleasure of the governing body by which he was appointed.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

**460.833 Board of commissioners; officers; record of proceedings; custody of records, documents, minutes, and seal; copies; certificate.**

Sec. 33. The board of commissioners of a joint agency shall annually elect 1 of the commissioners as chairperson, another as vice-chairperson, and another person or persons, who may or may not be a commissioner, as treasurer, secretary, and if desired, assistant secretary. The office of treasurer may be held by the secretary or assistant secretary. The board of commissioners may appoint additional officers as it deems necessary. The secretary or assistant secretary of the joint agency shall keep a record of the proceedings of the joint agency, and the secretary shall be the custodian of all records, books, documents, and papers filed with the joint agency, the minutes or journal of the joint agency, and its official seal. Either the secretary or the assistant secretary of the joint agency may cause copies to be made of all minutes and other records and documents of the joint agency and may give certificates under the official seal of the joint agency to the effect that the copies are true copies, and all persons dealing with the joint agency may rely upon a certificate under the official seal of the joint agency.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

**460.833a Records, books, documents, and papers; exclusion from public disclosure; exception.**

Sec. 33a. (1) Records, books, documents, and papers of a joint agency or a municipal electric utility system, including those maintained electronically, may be exempted from public disclosure by the board of commissioners of the joint agency or the governing body of the municipal electric utility system if any of the following apply:

- (a) They contain specific pricing or other confidential or proprietary information.
- (b) They pertain to the development, construction, financing, or leasing of a project.
- (c) They contain information which was received from a power utility or other person and which is subject to a confidentiality agreement.

(2) Upon a showing of good cause, disclosure subject to appropriate confidentiality provisions may be ordered by a court.

History: Add. 2008, Act 21, Imd. Eff. Mar. 7, 2008.

**460.834 Joint agency as public body politic and corporate; essential public function; articles of incorporation; amendments.**

Sec. 34. (1) A joint agency formed for the purposes provided in this article is a public body politic and corporate and the powers conferred by this act are considered to be the performance of an essential public function.

(2) Any combination of 2 or more municipalities described in section 31 may incorporate a joint agency by the adoption of articles of incorporation by resolution of the governing body of each municipality. The fact of adoption shall be endorsed on the articles of incorporation by the chief executive officer and clerk of the municipality, in form substantially as follows:

The foregoing articles of incorporation  
were adopted by the \_\_\_\_\_,  
of the \_\_\_\_\_, of \_\_\_\_\_ county,  
Michigan, at a meeting duly held on the \_\_\_\_ day  
of \_\_\_\_\_, \_\_\_\_.  
\_\_\_\_\_  
\_\_\_\_\_ of said  
\_\_\_\_\_  
\_\_\_\_\_ of said  
\_\_\_\_\_

(3) The articles of incorporation shall be published at least once in a newspaper or newspapers designated in the articles and generally circulating within the area of each municipality. One printed copy of the articles of incorporation, certified as a true copy by the person or persons designated in the articles, with the date and place of the publication, shall be filed with the county clerk or clerks of the county or counties in which the

incorporating municipalities are located and the secretary of state. The incorporation of the joint agency shall become effective at the time provided in the articles of incorporation. The validity of the joint agency incorporation shall be conclusive unless questioned in a court of competent jurisdiction within 60 days after the filing of certified copies with the county clerk or clerks and the secretary of state.

(4) The articles of incorporation shall state the name of the joint agency, the names of the various incorporating municipalities, the purpose or purposes for which it is created, the powers, duties, and limitations of the joint agency and its officers, the method of selecting its governing body, officers, and employees, the person or persons who are charged with the responsibility for causing the articles of incorporation to be published and filed or who are charged with the responsibility in connection with the incorporation of the joint agency, the place of publication, and all other matters which the incorporating municipalities consider advisable, all of which shall be subject to article 3 of this act and of the constitution and laws of the state.

(5) The board of commissioners of a joint agency may, by resolution, authorize the establishment of 1 or more classes of associate membership in the joint agency. A municipality admitted as an associate member shall have participatory and other rights and obligations as provided in the resolution establishing the associate membership class or classes.

(6) A municipality described in section 31 which did not join in the original incorporation of a joint agency may become a member or an associate member of the joint agency by the adoption of a resolution by the governing body of the municipality and by a resolution unanimously adopted by all members of the board of commissioners of the joint agency. The resolution of the board of commissioners may provide that a municipality shall become a member or an associate member at a future date or upon the occurrence of a future event and may provide further that the decision of the board of commissioners may not be revoked without the consent of the governing body of the municipality being added as a member or associate member. Upon the addition of a new member or associate member, the articles of incorporation shall be conformed by the board of commissioners to show the addition of the new member or associate member and, if the municipality is being added as an associate member, the rights and obligations of the municipality as an associate member. Other amendments may be made to the articles of incorporation if adopted by the governing body of each municipality of which the joint agency is composed. An amendment shall be endorsed, published and certified and printed copies filed in the same manner as the original articles of incorporation, except an amendment showing only the addition of a new member or associate member and the rights and obligations of a new associate member need not be published.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977;—Am. 2008, Act 21, Imd. Eff. Mar. 7, 2008.

#### **460.835 Board of commissioners; quorum; effect of vacancy; action authorized by resolution; expenses.**

Sec. 35. A majority of the commissioners of a joint agency shall constitute a quorum for the transaction of business of the joint agency. A vacancy in the board of commissioners of the joint agency shall not impair the rights of a quorum to exercise all the rights and perform all the duties of the joint agency. Action taken by the joint agency under this article shall be authorized by resolution at any regular or special meeting, and each resolution shall take effect immediately. A vote of the majority of the commissioners on the board of commissioners shall be necessary to take action, or pass a resolution. A commissioner of a joint agency shall not receive compensation for the performance of his duties but may be reimbursed for actual and necessary expenses incurred while engaged in the performance of his duties.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

#### **460.836 Other municipality as member of joint agency; application; resolution; withdrawal.**

Sec. 36. After the creation of a joint agency, another municipality may become a member of the joint agency upon application to the joint agency after the adoption of a resolution of the governing body of the municipality as prescribed in section 31 of this article authorizing the municipality to participate, and with the unanimous consent of the members of the joint agency as provided in section 34(6). A municipality may withdraw from a joint agency, except that all contractual rights acquired and obligations incurred while a member municipality remain in full force and effect.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977;—Am. 2008, Act 21, Imd. Eff. Mar. 7, 2008.

#### **460.837 Joint agency; rights and powers generally.**

Sec. 37. A joint agency shall have the rights and powers necessary and convenient to effectuate this article, including, but not limited to, 1 or more of the following:

(a) To adopt bylaws for the regulation of the affairs and conduct of its business, and to prescribe rules,

regulations, and policies in connection with the performance of its functions and duties.

- (b) To adopt and alter an official seal.
- (c) To maintain 1 or more offices.
- (d) To sue and be sued.
- (e) To receive, administer, and comply with the conditions and requirements respecting a gift, grant, or donation of property or money.
- (f) To acquire by purchase, lease, gift, or otherwise or to obtain options for the acquisition of real or personal property, or any interest in real property.
- (g) To sell, lease, exchange, transfer, or otherwise dispose of, or to grant options for the disposal of any real or personal property or an interest in such property.
- (h) To pledge or assign money, rents, charges, or other revenues or the proceeds derived by the joint agency from the sales of real or personal property, insurance, or condemnation awards.
- (i) To issue bonds of the joint agency for the purpose of providing funds for any of its corporate purposes.
- (j) To study, plan, finance, construct, reconstruct, acquire, participate in by contract or otherwise, improve, enlarge, extend, better, own, operate, or maintain, 1 or more projects, and to pay all or a part of the costs of the projects from the proceeds of bonds of the joint agency or from other funds made available to the joint agency.
- (k) To authorize the construction, operation, or maintenance of a project or projects by a person, firm, or corporation, including a political subdivision or agency of another state.
- (l) To acquire by lease, purchase, or otherwise an existing project or a project under construction.
- (m) To sell or otherwise dispose of a project or projects.
- (n) To fix, charge, and collect rents, rates, fees, and charges for electric power or energy or other services, facilities, or commodities sold, furnished, or supplied through a project.
- (o) To generate, produce, transmit, deliver, exchange, purchase or sell for resale electric power or energy.
- (p) To negotiate and to enter into contracts for the generation, production, purchase, sale, exchange, interchange, wheeling, pooling, transmission, delivery, or use of electric power and energy with a power utility.
- (q) To make and execute contracts and other instruments necessary or convenient in the exercise of the powers and functions of the joint agency under this article.
- (r) To apply to and obtain from the appropriate state or federal agency the necessary permits, licenses, certificates, or approvals to construct, maintain, and operate projects.
- (s) To employ engineers, architects, attorneys, real estate counselors, appraisers, financial advisors, and other persons as may be required by the joint agency.
- (t) To do all acts and things necessary, convenient, or desirable to carry out the purposes, and to execute the powers granted to the joint agency under this act.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977;—Am. 2008, Act 21, Imd. Eff. Mar. 7, 2008.

**460.838 Board of commissioners; retention of general manager of joint agency; policies; retention of independent certified public accounting firm; rules.**

Sec. 38. Not more than 90 days after the initial election of officers of the board of commissioners of the joint agency, the board of commissioners shall:

- (a) Retain a general manager of the joint agency, on either an acting or permanent basis.
- (b) Establish broad policies covering all major operations of the joint agency.
- (c) Retain an independent certified public accounting firm to provide annual financial audits.
- (d) Adopt rules specifying quality control standards for contractual professional services in accordance with rules establishing those criteria promulgated by the department of licensing and regulation or a board or commission within that department.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

**460.839 General manager as chief executive and operating officer of joint agency; powers and duties generally.**

Sec. 39. (1) The general manager shall be the chief executive and operating officer of the joint agency. The general manager shall exercise the management of the properties and business of the joint agency and its employees. The general manager shall direct the enforcement of all resolutions, rules, and regulations of the board of commissioners, and shall enter into contracts as necessary under the general control and direction of the board of commissioners. The general manager shall serve at the pleasure of the board of commissioners.

(2) Subject to the approval of the board of commissioners, the general manager may appoint the officers, employees, and agents necessary to carry out the general purposes of the joint agency. If the joint agency

operates a project described in section 5(1), the general manager shall classify all the offices, positions, and grades of regular employment required in the project.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

#### **460.840 Determining future power requirements; considerations.**

Sec. 40. Before undertaking a project for the construction or acquisition of facilities for the transmission or generation of electric power and energy, a joint agency shall, based upon engineering studies and reports meeting the standards required under section 38(d), determine that the project is required to provide for the projected needs for power and energy of its members from the date the project is estimated to be placed in normal and continuous operation and for a reasonable period of time thereafter. In determining the future power requirements of members of a joint agency, the joint agency shall consider all of the following:

(a) The economies and efficiencies to be achieved in constructing facilities for the generation and transmission of electric power and energy.

(b) The needs of the joint agency for reserve and peaking capacity, and to meet obligations under pooling and reserve sharing agreements reasonably related to its needs for power and energy to which the joint agency is or may become a party.

(c) The estimated useful life of the project.

(d) The estimated time necessary for the planning, development, acquisition, or construction of the project and the length of time required in advance to obtain, acquire, or construct additional power supply for members of the joint agency.

(e) The reliability and availability of existing alternative power supplies and the cost of those existing alternative power supplies.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977;—Am. 2002, Act 533, Imd. Eff. July 25, 2002.

#### **460.841 Tax levy prohibited; pledging credit or taxing power; financing projects of joint agencies.**

Sec. 41. A joint agency may not levy taxes nor may it pledge the credit or taxing power of the state or a political subdivision, except for the pledging of receipts of taxes, special assessments, or charges collected by the state or a political subdivision and returnable and payable by law or by contract to the joint agency, and except for the pledge by a political subdivision of the state of its full faith and credit in support of its contractual obligations to the joint agency as authorized by law. Projects of joint agencies shall be financed, in addition to other methods of financing provided by law, as follows:

(a) By rents, rates, fees, and charges authorized pursuant to section 37(n).

(b) By other income or revenues from whatever source available, including contributions or appropriations of whatever nature, or other revenues of the member municipalities of the joint agency.

(c) By grants, loans, or contributions from federal, state, or other governmental units, and grants, contributions, gifts, bequests, or other devices from public or private sources.

(d) By the proceeds of taxes, special assessments, or charges imposed pursuant to law by member municipalities of the joint agency, then returned or paid to the joint agency pursuant to law or contract.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

#### **460.842 Bonds; contractual obligations; resolution; bonds subject to revised municipal finance act; contracts or notes as to moneys advanced or property delivered; contracts pledging full faith and credit of municipality.**

Sec. 42. (1) A joint agency may issue bonds to pay all or part of project costs of the joint agency. The bonds shall be payable from and may be issued in anticipation of payment of the proceeds of any of the methods of financing described in section 41 or elsewhere in this act or as may be provided by law. A member municipality of the joint agency may contract as provided in section 43 or may contract to make payments, appropriations, or contributions to the joint agency of the proceeds of taxes, special assessments, or charges imposed and collected by the member municipality or out of other funds legally available, and may pledge its full faith and credit in support of its contractual obligation to the joint agency. The contractual obligation shall not constitute an indebtedness of the municipality within a statutory or charter debt limitation. If the joint agency issues bonds in anticipation of payments, appropriations, or contributions to be made to the joint agency pursuant to contract by a political subdivision having the power to levy and collect ad valorem taxes, the political subdivision may obligate itself by the contract, and thereupon may levy a tax on all taxable property within the political subdivision, which tax as to rate or amount will not be subject to limitation, as provided in section 6 of article IX of the state constitution of 1963, for contract obligations in anticipation of which bonds are issued to provide sufficient money to fulfill its contractual obligation to the joint agency. The

contract is not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(2) The bonds may be:

- (a) Issued for any period of years not exceeding 50.
- (b) Issued for a consideration other than cash.
- (c) For an amount that includes interest capitalized for a period of not more than 10 years after the date of the bonds.
- (d) Secured by revenues, contract payments, funds or investments and securities as determined by the joint agency.

(3) The resolution authorizing bonds may provide for the appointment of 1 or more trustees for bondholders and a trustee may be an individual or corporation domiciled or located within or without this state and may be given appropriate powers whether with or without the execution of an indenture.

(4) Bonds issued by any joint agency under this act are subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(5) A municipality or governmental unit may advance money or deliver property to the joint agency to enable it to carry out or finance any of its powers and duties. The joint agency may agree to repay an advance or pay for the property within a period of not more than 10 years, from the proceeds of its bonds or from other funds legally available for that purpose, with or without interest as may be agreed at the time of the advance or delivery. The obligation of the joint agency to make the repayment or payment may be evidenced by contract or note, which contract or note may pledge a source of payment determined by the joint agency.

(6) A municipality desiring to enter into a contract under this section pledging the full faith and credit of the municipality shall authorize, by resolution of its governing body, the execution of the contract. Subsequent to the adoption of the resolution a notice of the contract shall be published in a newspaper of general publication in the municipality, which notice shall state:

- (a) That the governing body has adopted a resolution authorizing execution of the contract.
- (b) The purpose of the contract.
- (c) The source of payment of the municipality's contractual obligation.
- (d) The right of referendum on the contract.
- (e) Any other information that the governing body determines to be necessary to adequately inform all interested persons of the nature of the obligation.

(7) The contract may be executed and delivered by the municipality upon approval by its governing body without a vote of the electors, but the contract shall not become effective until the expiration of 45 days after the date of publication of the notice. If within the 45-day period a petition signed by at least 10% or 15,000, whichever is the lesser, of the registered electors residing within the limits of the municipality is filed with the clerk of the municipality requesting a referendum upon the contract, the contract shall not become effective until approved by the vote of a majority of the electors of the municipality qualified to vote and voting on the question at a general or special election, which election shall be held within 180 days after the filing of a petition. When a contract described in this section is to be entered into by any township only on behalf of the unincorporated area of the township, only the registered electors residing within the unincorporated area of the township shall be qualified to sign the petition and vote at the election.

**History:** 1976, Act 448, Imd. Eff. Jan. 13, 1977;—Am. 1983, Act 120, Imd. Eff. July 18, 1983;—Am. 2002, Act 358, Imd. Eff. May 23, 2002.

#### **460.842a Violation of §§ 168.1 to 168.992 applicable to petitions; penalties.**

Sec. 42a. A petition under section 42, including the circulation and signing of the petition, is subject to section 488 of the Michigan election law, 1954 PA 116, MCL 168.488. A person who violates a provision of the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992, applicable to a petition described in this section is subject to the penalties prescribed for that violation in the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992.

**History:** Add. 1998, Act 193, Eff. Mar. 23, 1999.

#### **460.843 Contract for purchase of capacity and output; payments; default; furnishing money, personnel, equipment, and property; advances or contributions; repayment.**

Sec. 43. (1) A municipality which is a member of a joint agency may contract to buy power and energy and transmission or other related rights from the joint agency, and separately, or through the joint agency, from any other power utility, required for the municipality's present or future requirements, including the capacity and output of 1 or more specified projects. The contract may provide that the member municipality or the joint agency, or both, shall be obligated to make the payments required by the contract whether or not a project is completed, operable, or operating, and notwithstanding the suspension, interruption, interference,

reduction, or curtailment of the output of a project or the power and energy contracted for, and that the payments under the contract shall not be subject to a reduction whether by offset or otherwise, and shall not be conditioned upon the performance or nonperformance of the joint agency or power utility or another member of the joint agency, or any other participant in a project within or outside the state, under the contract or other instrument. A contract with respect to the sale or purchase of capacity or output of a project entered into between a joint agency and its member municipalities, or between a joint agency or 1 or more of its members and another power utility, may also provide that if 1 or more of the members of the joint agency or other participants in a project of a power utility default in the payment of its or their obligations with respect to the purchase of the capacity or output, then the remaining member municipalities and other participants which are purchasing capacity and output under the contract are, subject to such conditions and limitations, if any, as the contract may provide, required to accept and pay for and shall be entitled proportionately to and may use or otherwise dispose of the capacity or output which was to be purchased by the defaulting municipality or other participant.

(2) Payments by a municipality under a contract for the purchase of capacity and output from a joint agency or other power utility shall be made solely from the revenues derived from the ownership and operation of the electric system of the municipality, and an obligation under the contract shall not constitute a legal or equitable pledge, charge, lien, or encumbrance upon property of the municipality or upon the municipality's income, receipts, or revenues, except the revenues of its electric system. Subject to any debt or debt-related contracts or indentures of a municipality or joint agency, payments described in this subsection shall be made as part of the operating and maintenance costs of the municipality's or agency's system. A municipality is obligated to fix, charge, and collect rents, rates, fees, and charges for electric power and energy and other services, facilities, and commodities, sold, furnished, or supplied through its electric systems sufficient to provide revenues adequate to meet its obligations under the contract, and to pay other amounts payable from or constituting a charge and lien upon those revenues, including amounts sufficient to pay the principal of and interest on general obligation bonds issued by the municipality for purposes related to its electric system.

(3) A municipality which is a member of a joint agency may furnish the joint agency with money derived solely from the ownership and operation of its electric system or facilities and provide the joint agency with personnel, equipment, and property, both real and personal. A member municipality may also provide services to a joint agency.

(4) A member municipality of a joint agency may contract for, advance, or contribute funds derived solely from ownership of its electric system or facilities to a joint agency as may be agreed upon by the joint agency and member municipality, and the joint agency shall repay the advance or contribution from the proceeds of bonds, from operating revenues, or from other funds of the joint agency, together with interest thereon as may be agreed upon by the member municipality and the joint agency.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977;—Am. 2008, Act 21, Imd. Eff. Mar. 7, 2008.

#### **460.844 Sale or exchange of excess capacity or output.**

Sec. 44. (1) A joint agency may sell or exchange the excess capacity or output of a project not required by any of its members for consideration upon terms and conditions as determined by the parties.

(2) A joint agency may do 1 or more of the following:

(a) Transfer all or part of its interest in or functional control of transmission facilities to a multistate regional transmission system organization approved by the federal government and operating in this state or to 1 or more of its transmission-owning members.

(b) Purchase, acquire, sell, or otherwise transfer stock, membership units, or any other interest in a multistate regional transmission system organization approved by the federal government and operating in this state or in 1 or more of its transmission-owning members.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977;—Am. 2002, Act 532, Imd. Eff. July 25, 2002;—Am. 2008, Act 21, Imd. Eff. Mar. 7, 2008.

#### **460.845 Eminent domain.**

Sec. 45. A joint agency may take private property under Act No. 149 of the Public Acts of 1911, as amended, or any other applicable law as determined necessary by a joint agency for carrying out its purpose, except that a joint agency shall not exercise its power of eminent domain to acquire an existing electrical generation or transmission facility or a part thereof held in private ownership, including, without limitation, nonprofit corporation, without first securing in writing the approval of the lawful private owner or owners.

History: 1976, Act 448, Imd. Eff. Jan. 13, 1977.

**460.846 Dissolution of joint agency; resolution; vesting of title to funds and other properties.**

Sec. 46. When the board of commissioners of a joint agency and the governing bodies of its member municipalities shall by resolution determine that the purposes for which the joint agency was formed have been substantially fulfilled and that bonds issued and other obligations incurred by the joint agency have been fully paid or satisfied, the board of commissioners and governing bodies may declare the joint agency to be dissolved. On the effective date of the resolution, the title to the funds and other properties owned by the joint agency at the time of the dissolution shall vest in the member municipalities of the joint agency as provided in this article and the bylaws of the joint agency, and in accordance with section 11 of this act.

*History:* 1976, Act 448, Imd. Eff. Jan. 13, 1977.

**460.847 Annual report.**

Sec. 47. A joint agency shall, following the close of each fiscal year, submit a report of its activities for the preceding year to the governing bodies of its member municipalities. The annual report shall set forth a complete operating and financial statement covering the operations of the joint agency during the preceding year, together with an audit of its operations as prescribed in section 48.

*History:* 1976, Act 448, Imd. Eff. Jan. 13, 1977.

**460.848 Annual audit.**

Sec. 48. The joint agency shall annually cause an audit of its books of records and accounts by a certified public accountant, and the cost of the audit may be treated as part of the cost of construction of a project or projects, or as part of the expense of administration of a project covered by the audit.

*History:* 1976, Act 448, Imd. Eff. Jan. 13, 1977.

Act No. 21  
Public Acts of 2008  
Approved by the Governor  
March 6, 2008  
Filed with the Secretary of State  
March 7, 2008  
EFFECTIVE DATE: March 7, 2008

**STATE OF MICHIGAN  
94TH LEGISLATURE  
REGULAR SESSION OF 2008**

Introduced by Reps. Nofs, Caswell, Moore, Moolenaar, Caul, Walker, Booher, Hansen, Opsommer, Nitz, Palsrok, Accavitti, Brown, Clemente, Angerer, Mayes, Meadows, Farrah, Hopgood, Melton, Hammon, Bauer and Lemmons

**ENROLLED HOUSE BILL No. 5384**

AN ACT to amend 1976 PA 448, entitled "An act to prescribe the powers and duties of municipalities and governmental units to acquire, finance, maintain, and operate generating, transmission, and distribution facilities of electric power and energy, fuel and energy sources and reserves and all necessary related properties, equipment and facilities; to permit the exercise of those powers in joint venture or joint agency agreements; to provide for the issuance of bonds and notes; to prescribe the powers and duties of the municipal finance commission or its successor agency and of certain other state officers and agencies with respect to municipal electric utility financing; to create certain funds and prescribe their operation; to provide for tax exemptions and other exemptions; and to prescribe penalties and provide remedies," by amending sections 3, 5, 6, 9, 11, 21, 24, 31, 34, 36, 37, 43, and 44 (MCL 460.803, 460.805, 460.806, 460.809, 460.811, 460.821, 460.824, 460.831, 460.834, 460.836, 460.837, 460.843, and 460.844), section 5 as amended by 2002 PA 513 and section 44 as amended by 2002 PA 532, and by adding section 33a.

*The People of the State of Michigan enact:*

Sec. 3. (1) "Electric utility facility" means a facility which a municipality is authorized to acquire as part of a municipal electric utility system under this act or other law.

(2) "Governing body" means the council, commission, or board of trustees of a municipality, or when the charter of a municipality provides that a separate board has general management over the municipal electric utility system, "governing body" means that separate board, subject to review by the legislative body of the municipality as its charter may provide.

(3) "Governmental unit" means a municipality or a joint agency.

(4) "Joint agency" means a public body corporate and politic consisting of a combination of 2 or more municipalities, authorities, or other public bodies organized under article 3.



Sec. 5. (1) "Project" means a system or facility, inside or outside the state, or service related to a system or facility inside or outside the state, for the generation, transmission, or transformation of electricity, in whole or in part, or for sale to or use by a municipal electric utility system or joint agency by any means. Project also means stock, membership units, contractual interests, or any other interest in a system or facility, inside or outside of the state, for the generation, transmission, or transformation of electricity or in a multistate regional transmission system organization approved by the federal government and operating in this state or a transmission-owning entity which is a member of a multistate regional transmission system organization approved by the federal government and operating in this state.

(2) "Project cost" includes, but is not limited to, the cost of acquisition, construction, improvement, or extension of a project, the cost of studies, plans, specifications, surveys, and estimates of related costs and revenues, the cost of land, land rights, rights of way, easements, water rights, fees, permits, approvals, licenses, certificates, franchises, and the preparation of any required applications, engineering and inspection expenses, financing costs, working capital, fuel costs, interest on bonds, establishment of reserves, and all other costs of the municipality or joint agency that are incidental, necessary, or convenient to the acquisition, construction, improvement, or extension of a project.

Sec. 6. (1) "Person" means an individual, corporation, association, partnership, governmental entity, or any other legal entity.

(2) "Power utility" means any person engaged or that may engage, inside or outside the state, in generating, transmitting, or distributing or furnishing electricity.

(3) "Power utility bond" means electric utility bonds, notes, or other evidences of indebtedness of a municipality, including refunding bonds issued to underwrite projects authorized by this act.

(4) "Revenues" means all fees, charges, moneys, profits, payment of principal of, or interest on, municipal or power utility bonds, or other gifts, grants, contributions and appropriations.

Sec. 9. The governing body of a municipal electric utility system may purchase, acquire, construct, improve, enlarge, extend, or repair facilities for the transmission of energy, and may contract for the purchase, sale, exchange, interchange, wheeling, pooling, or transmission of electrical energy with another power utility for a consideration and for a period and upon other terms and conditions as may be determined by the parties to the agreement.

Sec. 11. A municipality engaging in a joint venture, joint agency agreement, or other joint endeavor described in section 10 and authorized by article 2 or article 3 shall own a percentage of any common facility equal to the percentage of the money furnished or the value of the property supplied by the municipality for the acquisition and construction of the common facility, except in the case of a facility at least 2/3 of which is owned or to be owned by a state, a political subdivision of this or another state or a Canadian province, an agency of this or another state or of a political subdivision of this state or another state, a federal agency, or a Canadian federal or provincial agency or agency of a political subdivision of a Canadian province, or any corporation or other entity controlled directly or indirectly by 1 or more of the entities listed above, in which case ownership shall be as provided in the contract between the municipality or joint agency and the entity owning or to own at least 2/3 of the facility. Each municipality in a joint endeavor shall defray its own interest and other payments required to be made in connection with a financing undertaken by it to pay its own percentage of the money furnished or the value of the property supplied by it for the planning, acquisition, and construction of a common facility, or an addition or betterment to the common facility. The agreement shall provide a uniform method of determining and allocating operation and maintenance expenses of the joint facility or agency.

Sec. 21. (1) A governmental unit may join in a joint venture agreement to plan, finance, develop, construct, reconstruct, acquire, improve, enlarge, better, own, operate, or maintain an undivided interest in a project situated within or without the state with 1 or more municipalities, joint agencies, or power utilities; and make plans and enter into contracts in connection with that project, not inconsistent with this act, as are necessary or appropriate.

(2) Before entering a joint venture agreement, the governing body of a municipality shall determine the needs of the municipality for power and energy based on engineering studies and reports. In determining the future power requirements of a municipality, the following shall be considered:

(a) The economies and efficiencies to be achieved in constructing on a large scale facilities for the generation and transmission of electric power and energy.

(b) The municipality's need for reserve and peaking capacity, and to meet obligations under pooling and reserve sharing agreements reasonably related to its needs for power and energy to which it is or may become a party.

(c) The estimated useful life of the project.

(d) The estimated time necessary for the planning, development, acquisition, or construction of the project, and the length of time required in advance to obtain, acquire, or construct additional power supply.

(e) The reliability and availability of existing or alternative power supply sources, and the cost of those existing or alternative power supply sources.

Sec. 24. (1) Capacity or output derived by a governmental unit from its ownership share of a project not then required by the governmental unit for its own use and for the use of its customers may be sold or exchanged by the governmental unit for a consideration and for a period and upon other terms and conditions as may be determined by the parties to the sale.

(2) Municipalities proposing to jointly plan, finance, develop, own and operate a project, may either jointly or separately apply to the appropriate agencies of the state, the federal government, another state, or another proper agency, for the necessary licenses, permits, certificates, or approvals; may construct, maintain, and operate the project in accordance with the licenses, permits, certificates, or approvals; and may obtain, hold, and use the licenses, permits, certificates, or approvals in the same manner as the operating unit of any other power utility.

(3) Municipalities participating in a joint project or projects may enter into contracts for the purchase, sale, exchange, interchange, wheeling, pooling, or transmission of electric power and energy produced by the project or projects with a power utility.

(4) Personnel appointed by a municipality to work on a joint project shall have the same authority, rights, privileges, and immunities that the officers, agents, and employees of the appointing municipality enjoy within the jurisdictional boundaries of the municipality, whether within or without that territory, when the personnel are acting within the scope of their authority or within the course of their employment.

(5) Municipalities party to a joint project authorized by this article shall, following the end of each fiscal year, prepare an annual report of the activities of the project, including a complete operating and financial statement covering the operations of the project for that year. The municipalities shall conduct an audit of the books of records and accounts of the project to be made not less than annually by a certified public accountant, and the cost of the audit may be treated as part of the cost of construction of the project, or as part of the expense of administering the project covered by the audit.

Sec. 31. A joint agency is formed when the governing bodies of 2 or more municipalities by resolution determine that it is in the best interest of the municipalities in accomplishing the purposes of this act to create a joint agency for the purpose of undertaking the planning, financing, development, acquisition, construction, reconstruction, improvement, enlargement, betterment, operation, or maintenance of a project or projects to supply electric power and energy for their present or future needs as an alternative or supplemental method of obtaining the benefits and assuming the responsibilities of ownership in a project. In determining whether the creation of a joint agency for this purpose is in the best interest of a municipality, the governing body of each municipality shall consider, but shall not be limited to, the following:

(a) Whether a separate entity may be able to finance the cost of projects in a more economic and efficient manner.

(b) Whether financial market acceptance may be enhanced if 1 entity is responsible for issuing and selling all of the bonds required for a project or projects in a timely and orderly manner and with a uniform credit rating, instead of multiple entities marketing their separate issues of bonds.

(c) Whether savings and other advantages may be obtained by providing a separate entity responsible for the acquisition, construction, ownership, and operation of a project or projects.

(d) Whether the existence of a separate entity will foster the continuation of joint planning and undertaking of projects, and the resulting economies and efficiencies to be realized from the joint planning and undertaking will serve the interests of the residents of the municipality. The determination made by the governing body of a municipality hereunder shall be conclusive.

Sec. 33a. (1) Records, books, documents, and papers of a joint agency or a municipal electric utility system, including those maintained electronically, may be exempted from public disclosure by the board of commissioners of the joint agency or the governing body of the municipal electric utility system if any of the following apply:

(a) They contain specific pricing or other confidential or proprietary information.

(b) They pertain to the development, construction, financing, or leasing of a project.

(c) They contain information which was received from a power utility or other person and which is subject to a confidentiality agreement.

(2) Upon a showing of good cause, disclosure subject to appropriate confidentiality provisions may be ordered by a court.

Sec. 34. (1) A joint agency formed for the purposes provided in this article is a public body politic and corporate and the powers conferred by this act are considered to be the performance of an essential public function.

(2) Any combination of 2 or more municipalities described in section 31 may incorporate a joint agency by the adoption of articles of incorporation by resolution of the governing body of each municipality. The fact of adoption shall be endorsed on the articles of incorporation by the chief executive officer and clerk of the municipality, in form substantially as follows:

The foregoing articles of incorporation  
were adopted by the \_\_\_\_\_,  
of the \_\_\_\_\_, of \_\_\_\_\_ county,  
Michigan, at a meeting duly held on the \_\_\_\_ day  
of \_\_\_\_\_, \_\_\_\_.

\_\_\_\_\_ of said  
\_\_\_\_\_ of said

(3) The articles of incorporation shall be published at least once in a newspaper or newspapers designated in the articles and generally circulating within the area of each municipality. One printed copy of the articles of incorporation, certified as a true copy by the person or persons designated in the articles, with the date and place of the publication, shall be filed with the county clerk or clerks of the county or counties in which the incorporating municipalities are located and the secretary of state. The incorporation of the joint agency shall become effective at the time provided in the articles of incorporation. The validity of the joint agency incorporation shall be conclusive unless questioned in a court of competent jurisdiction within 60 days after the filing of certified copies with the county clerk or clerks and the secretary of state.

(4) The articles of incorporation shall state the name of the joint agency, the names of the various incorporating municipalities, the purpose or purposes for which it is created, the powers, duties, and limitations of the joint agency and its officers, the method of selecting its governing body, officers, and employees, the person or persons who are charged with the responsibility for causing the articles of incorporation to be published and filed or who are charged with the responsibility in connection with the incorporation of the joint agency, the place of publication, and all other matters which the incorporating municipalities consider advisable, all of which shall be subject to article 3 of this act and of the constitution and laws of the state.

(5) The board of commissioners of a joint agency may, by resolution, authorize the establishment of 1 or more classes of associate membership in the joint agency. A municipality admitted as an associate member shall have participatory and other rights and obligations as provided in the resolution establishing the associate membership class or classes.

(6) A municipality described in section 31 which did not join in the original incorporation of a joint agency may become a member or an associate member of the joint agency by the adoption of a resolution by the governing body of the municipality and by a resolution unanimously adopted by all members of the board of commissioners of the joint agency. The resolution of the board of commissioners may provide that a municipality shall become a member or an associate member at a future date or upon the occurrence of a future event and may provide further that the decision of the board of commissioners may not be revoked without the consent of the governing body of the municipality being added as a member or associate member. Upon the addition of a new member or associate member, the articles of incorporation shall be conformed by the board of commissioners to show the addition of the new member or associate member and, if the municipality is being added as an associate member, the rights and obligations of the municipality as an associate member. Other amendments may be made to the articles of incorporation if adopted by the governing body of each municipality of which the joint agency is composed. An amendment shall be endorsed, published and certified and printed copies filed in the same manner as the original articles of incorporation, except an amendment showing only the addition of a new member or associate member and the rights and obligations of a new associate member need not be published.

Sec. 36. After the creation of a joint agency, another municipality may become a member of the joint agency upon application to the joint agency after the adoption of a resolution of the governing body of the municipality as prescribed in section 31 of this article authorizing the municipality to participate, and with the unanimous consent of the members of the joint agency as provided in section 34(6). A municipality may withdraw from a joint agency, except that all contractual rights acquired and obligations incurred while a member municipality remain in full force and effect.

Sec. 37. A joint agency shall have the rights and powers necessary and convenient to effectuate this article, including, but not limited to, 1 or more of the following:

(a) To adopt bylaws for the regulation of the affairs and conduct of its business, and to prescribe rules, regulations, and policies in connection with the performance of its functions and duties.

- (b) To adopt and alter an official seal.
- (c) To maintain 1 or more offices.
- (d) To sue and be sued.
- (e) To receive, administer, and comply with the conditions and requirements respecting a gift, grant, or donation of property or money.
- (f) To acquire by purchase, lease, gift, or otherwise or to obtain options for the acquisition of real or personal property, or any interest in real property.
- (g) To sell, lease, exchange, transfer, or otherwise dispose of, or to grant options for the disposal of any real or personal property or an interest in such property.
- (h) To pledge or assign money, rents, charges, or other revenues or the proceeds derived by the joint agency from the sales of real or personal property, insurance, or condemnation awards.
- (i) To issue bonds of the joint agency for the purpose of providing funds for any of its corporate purposes.
- (j) To study, plan, finance, construct, reconstruct, acquire, participate in by contract or otherwise, improve, enlarge, extend, better, own, operate, or maintain, 1 or more projects, and to pay all or a part of the costs of the projects from the proceeds of bonds of the joint agency or from other funds made available to the joint agency.
- (k) To authorize the construction, operation, or maintenance of a project or projects by a person, firm, or corporation, including a political subdivision or agency of another state.
- (l) To acquire by lease, purchase, or otherwise an existing project or a project under construction.
- (m) To sell or otherwise dispose of a project or projects.
- (n) To fix, charge, and collect rents, rates, fees, and charges for electric power or energy or other services, facilities, or commodities sold, furnished, or supplied through a project.
- (o) To generate, produce, transmit, deliver, exchange, purchase or sell for resale electric power or energy.
- (p) To negotiate and to enter into contracts for the generation, production, purchase, sale, exchange, interchange, wheeling, pooling, transmission, delivery, or use of electric power and energy with a power utility.
- (q) To make and execute contracts and other instruments necessary or convenient in the exercise of the powers and functions of the joint agency under this article.
- (r) To apply to and obtain from the appropriate state or federal agency the necessary permits, licenses, certificates, or approvals to construct, maintain, and operate projects.
- (s) To employ engineers, architects, attorneys, real estate counselors, appraisers, financial advisors, and other persons as may be required by the joint agency.
- (t) To do all acts and things necessary, convenient, or desirable to carry out the purposes, and to execute the powers granted to the joint agency under this act.

Sec. 43. (1) A municipality which is a member of a joint agency may contract to buy power and energy and transmission or other related rights from the joint agency, and separately, or through the joint agency, from any other power utility, required for the municipality's present or future requirements, including the capacity and output of 1 or more specified projects. The contract may provide that the member municipality or the joint agency, or both, shall be obligated to make the payments required by the contract whether or not a project is completed, operable, or operating, and notwithstanding the suspension, interruption, interference, reduction, or curtailment of the output of a project or the power and energy contracted for, and that the payments under the contract shall not be subject to a reduction whether by offset or otherwise, and shall not be conditioned upon the performance or nonperformance of the joint agency or power utility or another member of the joint agency, or any other participant in a project within or outside the state, under the contract or other instrument. A contract with respect to the sale or purchase of capacity or output of a project entered into between a joint agency and its member municipalities, or between a joint agency or 1 or more of its members and another power utility, may also provide that if 1 or more of the members of the joint agency or other participants in a project of a power utility default in the payment of its or their obligations with respect to the purchase of the capacity or output, then the remaining member municipalities and other participants which are purchasing capacity and output under the contract are, subject to such conditions and limitations, if any, as the contract may provide, required to accept and pay for and shall be entitled proportionately to and may use or otherwise dispose of the capacity or output which was to be purchased by the defaulting municipality or other participant.

(2) Payments by a municipality under a contract for the purchase of capacity and output from a joint agency or other power utility shall be made solely from the revenues derived from the ownership and operation of the electric system of the municipality, and an obligation under the contract shall not constitute a legal or equitable pledge, charge, lien, or encumbrance upon property of the municipality or upon the municipality's income, receipts, or revenues, except the revenues of its electric system. Subject to any debt or debt-related contracts or indentures of a municipality or joint agency, payments described in this subsection shall be made as part of the operating and maintenance costs of the

municipality's or agency's system. A municipality is obligated to fix, charge, and collect rents, rates, fees, and charges for electric power and energy and other services, facilities, and commodities, sold, furnished, or supplied through its electric systems sufficient to provide revenues adequate to meet its obligations under the contract, and to pay other amounts payable from or constituting a charge and lien upon those revenues, including amounts sufficient to pay the principal of and interest on general obligation bonds issued by the municipality for purposes related to its electric system.

(3) A municipality which is a member of a joint agency may furnish the joint agency with money derived solely from the ownership and operation of its electric system or facilities and provide the joint agency with personnel, equipment, and property, both real and personal. A member municipality may also provide services to a joint agency.

(4) A member municipality of a joint agency may contract for, advance, or contribute funds derived solely from ownership of its electric system or facilities to a joint agency as may be agreed upon by the joint agency and member municipality, and the joint agency shall repay the advance or contribution from the proceeds of bonds, from operating revenues, or from other funds of the joint agency, together with interest thereon as may be agreed upon by the member municipality and the joint agency.

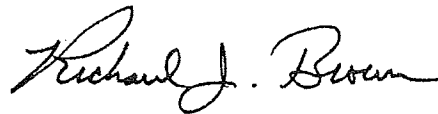
Sec. 44. (1) A joint agency may sell or exchange the excess capacity or output of a project not required by any of its members for consideration upon terms and conditions as determined by the parties.

(2) A joint agency may do 1 or more of the following:

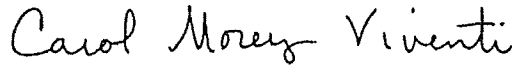
(a) Transfer all or part of its interest in or functional control of transmission facilities to a multistate regional transmission system organization approved by the federal government and operating in this state or to 1 or more of its transmission-owning members.

(b) Purchase, acquire, sell, or otherwise transfer stock, membership units, or any other interest in a multistate regional transmission system organization approved by the federal government and operating in this state or in 1 or more of its transmission-owning members.

This act is ordered to take immediate effect.



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Clerk of the House of Representatives



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Secretary of the Senate

Approved .....

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Governor

**MICHIGAN PUBLIC POWER AGENCY**  
Lansing, Michigan

**FINANCIAL STATEMENTS**

December 31, 2010

# MICHIGAN PUBLIC POWER AGENCY

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Michigan Public Power Agency  
Lansing, Michigan

We have audited the accompanying basic financial statements of the business-type activities and each major fund of Michigan Public Power Agency (MPPA) as identified in the accompanying table of contents, as of and for the year ended December 31, 2010. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from MPPA's 2009 financial statements, which were audited by other auditors, whose report dated April 3, 2009 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of MPPA as of December 31, 2010 and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 – 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



To the Board of Commissioners  
Michigan Public Power Agency

Our audit was conducted for the purpose of forming an opinion on Michigan Public Power Agency's basic financial statements taken as a whole. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with MPPA's financial statements for the year ended December 31, 2009, from which such summarized information was derived.

*Plante & Moran, PLLC*

East Lansing, MI  
April 19, 2011

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

# MICHIGAN PUBLIC POWER AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

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The management of Michigan Public Power Agency (MPPA) offers all persons interested in the financial position of MPPA this narrative overview and analysis of MPPA's financial performance during the years ended December 31, 2010 and 2009. You are invited to read this narrative in conjunction with MPPA's financial statements.

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### FINANCIAL HIGHLIGHTS

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- MPPA's total net assets increased \$103,701, or 12% from the prior year. This was due to member dues and other revenues exceeding general office operation expenses.
  - MPPA's operating expenses in 2010 were \$14,994,000 higher than in 2009. This is a 10% increase in operating expenses from the prior year. Most of the increase was due to increases in purchased power and transmission expenses for the Power Pool Project. The cost increase was passed on to project participants resulting in an increase in operating revenues of \$14,117,000 or about 8%. The net effect was a decrease in operating income of \$877,000 compared to the prior year.
  - Total agency assets decreased \$25,474,000 while total liabilities decreased \$25,578,000. These are the result of normal operations including the issuance of debt, payment of debt and continuing capital asset improvements and depreciation.
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### OVERVIEW OF THE FINANCIAL STATEMENTS

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Michigan Public Power Agency is a public body politic and corporate of the State of Michigan. MPPA was created in 1978 under Act 448 of the Public Acts of Michigan, 1976, as amended. The purpose of MPPA is to oversee the development and operation of various projects to supply electric power and energy to the project members. MPPA has sixteen members, each of which is a municipal corporation in the state of Michigan and owns and operates a municipal electric system.

This annual report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. MPPA is a self-supporting entity and follows proprietary fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Proprietary fund statements offer financial information about the activities and operations of MPPA.

The combined financial statements are designed to provide readers with a broad overview of MPPA's finances, in a manner similar to a private-sector business.

# MICHIGAN PUBLIC POWER AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

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### OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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MPPA's operations consist of seven power projects:

- Campbell No. 3
- Belle River
- Power Pool
- Combustion Turbine #1
- Energy Services/Dispatch
- Transmission
- Granger Renewable Energy

In addition, MPPA members share in the administrative and general costs incurred to operate these projects.

It is very important to note however that due to contractual arrangements, which are the basis of each power project, no monies can be shared between projects. The cash flow of one power project, although combined with all others in the combined financial statement presentation as required by financial reporting rules, cannot and should not be considered available for any other project. Great care should be exercised in evaluating the financial condition of MPPA as a combined entity from the use of the combined financial statements.

- The Combined Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how MPPA's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.
- The Combined Statement of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.
- The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 15 of this report.

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### MPPA FINANCIAL ANALYSIS

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An analysis of MPPA's financial position begins with a review of the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information. These two statements report MPPA's net assets and changes therein. As noted earlier, great care must be taken when evaluating MPPA's financial position and results of operations when using the combined financial presentations due to the legal separation that must be maintained between projects. However, broad patterns and trends may be observed at this level that should lead the reader to study carefully the financial statements of each project.

Please see accompanying auditors' report

# MICHIGAN PUBLIC POWER AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

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### MPPA FINANCIAL ANALYSIS (cont.)

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A summary of MPPA's Combined Statement of Net Assets is presented below in Table 1. The Combined Statement of Revenues, Expenses and Changes in Net Assets is summarized in Table 2.

**Table 1**  
**Condensed Statement of Net Assets**

	<u>2010</u>	<u>2009</u>
Current assets	\$ 117,696,231	\$ 132,054,122
Non-current assets		
Capital assets	215,719,192	226,514,851
Other assets	<u>9,444,882</u>	<u>9,765,654</u>
Total Assets	<u>\$ 342,860,305</u>	<u>\$ 368,334,627</u>
Current liabilities	\$ 42,785,281	\$ 40,964,491
Non-current liabilities		
Deferred revenue to be recognized in future periods	94,029,290	96,214,533
Member capital	3,394,011	5,887,614
Revenue bonds payable, less current portion	201,653,911	224,375,267
Liabilities payable from restricted assets	<u>19,664</u>	<u>18,275</u>
Total Liabilities	<u>341,882,157</u>	<u>367,460,180</u>
Net assets		
Invested in capital assets, net of related debt	(6,544,502)	(17,063,038)
Restricted	30,035,002	28,950,003
Unrestricted	<u>(22,512,352)</u>	<u>(11,012,518)</u>
Total Net Assets	<u>978,148</u>	<u>874,447</u>
Total Liabilities and Net Assets	<u>\$ 342,860,305</u>	<u>\$ 368,334,627</u>

Please see accompanying auditors' report

**MICHIGAN PUBLIC POWER AGENCY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010

**MPPA FINANCIAL ANALYSIS (cont.)**

**Table 2**  
**Condensed Statement of Revenues, Expenses and Changes in Net Assets**

	2010	2009
Operating Revenues	\$ 187,084,466	\$ 172,967,460
Non-Operating Revenues	203,870	595,143
Total Revenues	187,288,336	173,562,603
Depreciation Expense	15,607,720	15,470,563
Other Operating Expenses	153,332,675	138,475,476
Non-Operating Expenses	11,191,802	12,177,368
Total Expenses	180,132,197	166,123,407
Income Before Deferred Revenue	7,156,139	7,439,196
Deferred Revenue to be Recognized in Future Periods		
Net of Deferred Revenue Recognized in Current Period	(7,052,438)	(7,287,865)
Changes in Net Assets	103,701	151,331
Beginning Net Assets	874,447	723,116
Ending Net Assets	\$ 978,148	\$ 874,447

MPPA uses fund accounting, Federal Energy Regulatory Commission accounting and special utility industry terminology to ensure and demonstrate compliance with finance-related legal requirements.

**Campbell No. 3 Project**

MPPA jointly owns and operates the Campbell Unit No. 3 electric generation facility with Consumer's Energy. Ten of MPPA's members participate in this project, consisting of a 4.8% undivided ownership interest in the coal-fired generating plant in Ottawa County, Michigan. Operating revenues for 2010 decreased by 11% compared to 2009. During the same time period, the cost of generated and purchased power decreased by 19%.

**Belle River Project**

With eleven of the member communities participating in this project, MPPA jointly owns and operates the Belle River Power Plant with Detroit Edison. MPPA has a 37.22% undivided ownership interest in Belle River Unit No.1, a coal-fired electric generating unit located in St. Clair County, Michigan. Operating expenses decreased by 4% from 2009 to 2010. Sales to participants decreased 3%.

Please see accompanying auditors' report

# MICHIGAN PUBLIC POWER AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

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### MPPA FINANCIAL ANALYSIS (cont.)

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#### **Power Pool Project**

The Power Pool Project was established to allow member communities to pool their generating resources and electric loads. The Power Pool uses economic dispatch principles in determining the moment-by-moment output of generating resources, along with any purchases of energy from third-party resources, so as to obtain the lowest overall electric energy cost for the Power Pool that is reasonably attainable at any given point in time. The eight members experienced a 24% increase in sales and a corresponding 27% increase in operating expenses in 2010 compared to 2009. For 2010, purchased power made up 94% of the Power Pool operating costs. For 2010, the operating expenses of the Power Pool project exceeded the operating revenues, resulting in a decline in deferred revenue in the current period.

#### **Combustion Turbine #1 Project**

MPPA owns and operates the Combustion Turbine #1 Project (CT Project) for the benefit of five of its members. The CT Project is a natural-gas fired combustion turbine peaking generating unit which began producing power in 2002. For the year ended December 31, 2010, this project reported \$361,000 of deferred revenues to be recognized in a future period.

#### **Energy Services/Dispatch Project**

The Energy Services/Dispatch project is set up to facilitate the purchase of capacity and energy from third parties for sale to a number of MPPA members. Three members utilized this project for energy and capacity purchase while twelve members contributed monies for MPPA to begin the same type of service for them in 2011 due to the wrapping up of the Power Pool Project. Both revenues and expenses increased from 2009 by 12%, representing increased energy sales and purchases for the three members.

#### **Granger Renewable Energy Project**

Fourteen members of MPPA participate in this project which was begun to allow members to meet renewable energy requirements for compliance with Michigan Public Act 295. The members began taking landfill gas energy in mid-2010.

#### **Transmission Project**

Thirteen members of MPPA participate in this project. The thirteen members provided the initial capital needed to purchase an undivided interest in the transmission grid. This has lowered the transmission cost to thirteen of MPPA's members.

# MICHIGAN PUBLIC POWER AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2010

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### MPPA FINANCIAL ANALYSIS (cont.)

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#### General Office Operations

MPPA accounts for the general office operations that cannot be attributed to any one specific project. Member dues are based on the annual budgeted operating costs, with a portion of the operating costs allocated to each project as overhead. The General Office Operations fund operated at an income of \$103,701 and \$151,331 in 2010 and 2009 respectively.

In addition, MPPA's Board directed MPPA to create a number of Service Committees in 2009 and 2010. These Service Committees perform the function of easing the process of studying potential projects. The Service Committee also provides a venue for municipal utilities that are not MPPA members to participate in activities that do not require financing or the acquisition of assets. The Service Committees are treated as separate sub-accounts under the General Office for accounting purposes.

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### CAPITAL ASSETS

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MPPA's investment in capital assets as of December 31, 2010 amounts to \$215,719,000 (net of accumulated depreciation). This investment in capital assets includes investment in plants, transmission systems, land, buildings, improvements, machinery and equipment. MPPA's total net investment in capital assets for the year decreased 5% primarily as a result of annual depreciation.

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### LONG-TERM DEBT

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At December 31, 2010, MPPA had total liabilities outstanding of \$341,882,000, of which \$223,689,000 represents bond payments payable. These remaining principal payments on long-term debt, including current amounts due, are as follows:

Campbell No. 3 Project	\$ 17,769,000
Belle River Project	177,694,000
Combustion Turbine #1 Project	<u>28,226,000</u>
Total	<u>\$ 223,689,000</u>

See Note 6 for additional details.



# MICHIGAN PUBLIC POWER AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2010

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### **ECONOMIC CONDITIONS**

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The 2010 budget was adopted in 2009 amid a slightly improving national economy but a relatively weak state economy. The member-cities' economies have shown varying amounts of growth in both demand and energy. In order to assist its members in meeting their future power supply requirements, MPPA performs annual planning reviews of load and resource projections for all of its members that request such service. These projections are utilized in preparing the annual budgets and evaluating the need for future capital projects. Because MPPA's members are billed based on actual costs, revenues will fluctuate with operating costs rather than be determined by any set rates.

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### **CURRENTLY KNOWN FACTS**

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MPPA's transmission agreements have undergone changes over the past several years. Consumers Energy has transferred its transmission assets to Michigan Electric Transmission Company (METC), a subsidiary of Consumers Energy. MPPA undertook legal action that resulted in settlement agreements which require that MPPA's rights under the Consumers Transmission Agreement will be honored and performed by METC, or any subsequent purchaser of METC or a substantial portion of the transmission facilities. The settlement agreement also provided for the purchase of additional transmission assets by MPPA. MPPA closed on this purchase in February 2006, and is now receiving the benefits of this new purchase on behalf of its members. Also in 2006, ITC Holdings, the parent of ITC, purchased the assets of METC. As of the date of this report, MPPA has seen no change in its treatment or failure of ITC to honor the agreements with MPPA that were transferred to ITC. Detroit Edison has transferred its transmission system to ITC. MPPA's agreements with Detroit Edison have been assigned by ITC.

MPPA created the Energy Services Project as a replacement for MPPA's Power Pool Project. The transition took place at midnight on December 31, 2010 at which point the Power Pool Project began winding down. The Energy Services Project looks very similar to MPPA's Dispatch Project in the services provided to its members. Because of this, MPPA's members decided to account for the Dispatch Project and Energy Services Project under the same budget and allocate expenses under that structure going forward.

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### **CONTACTING MPPA'S FINANCIAL MANAGEMENT**

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This financial report is designed to provide our customers, investors and creditors with a general overview of MPPA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Michigan Public Power Agency, 809 Centennial Way, Lansing, MI 48917.

**Statement of Net Assets Follows**

MICHIGAN PUBLIC POWER AGENCY

STATEMENTS OF NET ASSETS

December 31, 2010  
(With Comparative Totals for December 31, 2009)

ASSETS

CURRENT ASSETS

	Campbell No. 3 Project	Belle River Project	Power Pool Project	Combustion Turbine #1	Energy Services/Dispatch Project	Granger Project	Transmission Project	General Office Operation	Totals
	2010	2009	2010	2009	2010	2009	2010	2009	2010
Cash and Cash Equivalents									
Project account	\$ 7,317,253	\$ 38,776,789	\$ -	\$ 2,981,162	\$ -	\$ -	\$ -	\$ -	\$ 49,075,204
Operation and maintenance account	1,036,916	8,425,075	-	2,482,437	119,423	237,299	743,873	-	13,045,023
Operation and maintenance reserve account	250,000	-	-	-	-	-	-	-	250,000
Fuel reserve account	800,000	-	-	-	-	-	-	-	800,000
Other	-	-	4,214,212	-	-	-	-	881,232	5,095,444
Total Cash and Cash Equivalents	9,404,169	47,201,864	4,214,212	5,463,599	119,423	237,299	743,873	881,232	68,265,671
Investments - Project Account									
US Government Agency notes	-	1,001,406	-	-	-	-	-	-	1,001,406
Accrued interest receivable	112	8,427	-	65	-	-	-	-	8,604
Accounts receivable	511,426	5,360,776	3,484,025	1,158,286	2,106,746	8,923	253,651	131,655	13,015,488
Restricted cash - Debt service account	3,090,013	22,880,966	-	1,817,775	-	-	-	-	27,788,754
Fuel inventory	848,132	3,561,488	-	207,566	-	-	-	-	4,617,186
Materials and supplies inventory	-	2,760,973	-	238,149	-	-	-	-	2,999,122
Total Current Assets	13,853,852	82,775,900	7,698,237	8,885,440	2,226,169	246,222	997,524	1,012,887	117,696,231

NON-CURRENT ASSETS

	2010	2009
Capital Assets		
Utility plant in service	60,347,981	480,620,473
Allowance for depreciation	(31,910,637)	(319,726,121)
Total Capital Assets	28,737,344	160,894,352
Other Assets		
Deferred bond issue costs - net	127,764	836,925
Restricted cash	-	-
Reserve and contingency account	-	8,000,001
Scholarship fund	-	-
Prepaid long-term lease (deferred obligation)	-	154,000
Total Non-Current Assets	28,865,108	169,885,278
TOTAL ASSETS	\$ 42,718,960	\$ 252,661,178

	2010	2009
Capital Assets		
Utility plant in service	577,936,610	573,201,164
Allowance for depreciation	(362,217,419)	(346,686,313)
Total Capital Assets	215,719,192	226,514,851
Other Assets		
Deferred bond issue costs - net	1,425,217	1,747,378
Restricted cash	-	-
Reserve and contingency account	-	8,000,001
Scholarship fund	-	19,664
Prepaid long-term lease (deferred obligation)	-	(154,000)
Total Non-Current Assets	225,164,074	236,280,505
TOTAL ASSETS	\$ 342,860,305	\$ 368,334,627

MICHIGAN PUBLIC POWER AGENCY

STATEMENTS OF NET ASSETS

December 31, 2010

(With Comparative Totals for December 31, 2009)

LIABILITIES AND NET ASSETS

	Campbell No. 3 Project	Belle River Project	Power Pool Project	Combustion Turbine #1	Energy Services/ Dispatch Project	Granger Project	Transmission Project	General Office Operation	Totals
	2010	2010	2010	2010	2010	2010	2010	2010	2009
<b>CURRENT LIABILITIES</b>									
Accounts payable and accrued expenses	\$ 995,455	\$ 1,860,414	\$ 4,467,913	\$ 792,069	\$ 2,140,723	\$ 187,256	\$ 691,011	\$ 631,363	\$ 13,730,726
Capital contribution of members	-	-	1,622,761	-	-	-	-	-	1,622,761
Deferred revenue to be recognized in future periods	-	-	1,607,563	-	-	-	-	-	1,607,563
Current Liabilities Payable from Restricted Assets	400,013	4,615,965	-	737,775	-	-	-	-	6,283,765
Accrued interest payable	2,690,000	18,265,000	-	1,080,000	-	-	-	-	20,950,000
Current portion of revenue bonds	3,090,013	22,880,965	-	1,817,775	-	-	-	-	5,753,753
Total Current Liabilities Payable from Restricted Assets	4,085,468	24,741,379	7,698,237	2,609,844	2,140,723	187,256	691,011	631,363	27,233,765
Total Current Liabilities	23,554,762	68,491,109	-	1,595,314	190,753	466	196,886	-	96,214,533
<b>NON-CURRENT LIABILITIES</b>									
Deferred revenue to be recognized in future periods	-	-	-	-	-	58,500	3,335,511	-	5,887,614
Capital contribution of members	15,078,730	159,428,690	-	27,146,491	-	-	-	-	224,375,267
Revenue bonds payable, less current portion	-	-	-	-	-	-	-	-	-
Liabilities Payable from Restricted Assets - Scholarship fund	38,633,492	227,919,799	-	28,741,805	190,753	56,966	3,532,397	19,664	19,664
Total Non-Current Liabilities	42,718,960	252,661,178	7,698,237	31,351,649	2,331,476	246,222	4,223,408	651,027	367,460,180
Total Liabilities	66,273,722	191,152,287	7,698,237	4,946,963	4,522,229	492,718	8,940,294	1,282,390	133,694,715
<b>NET ASSETS</b>									
Invested in capital assets, net of related debt and obligations	11,096,378	(15,962,413)	-	(5,760,282)	105,307	-	3,225,884	750,624	(17,063,038)
Restricted	2,690,000	26,265,002	-	1,080,000	-	-	-	-	28,950,003
Unrestricted (Deficit)	(13,786,378)	(10,302,589)	-	4,680,282	(105,307)	-	(3,225,884)	227,524	(11,012,519)
Total Net Assets	-	-	-	-	-	-	-	978,148	874,447
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 42,718,960	\$ 252,661,178	\$ 7,698,237	\$ 31,351,649	\$ 2,331,476	\$ 246,222	\$ 4,223,408	\$ 1,629,175	\$ 368,334,627

See accompanying notes to financial statements.

**MICHIGAN PUBLIC POWER AGENCY**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
 Year Ended December 31, 2010  
 (With Comparative Totals for the Year Ended December 31, 2009)

								Totals		
	Campbell No. 3 Project	Belle River Project	Power Pool Project	Combustion Turbine No.1	Energy Services/Dispatch Project	Granger Project	Transmission Project	General Office Operation	2010	2009
<b>OPERATING REVENUES</b>										
Gross Sales	\$ 11,646,796	\$ 70,751,796	\$ 56,549,860	\$ 6,305,601	\$ 34,224,359	\$ 717,353	\$ 1,630,522	\$ 2,282,673	\$ 184,108,960	\$ 170,952,832
Allowances for market sales	-	(2,967,542)	-	-	-	-	(2,898,720)	-	(5,866,262)	(5,087,462)
Net sales to participants	11,646,796	67,784,254	56,549,860	6,305,601	34,224,359	717,353	(1,288,198)	2,282,673	178,242,698	165,865,370
Market Sales	-	2,967,542	-	-	-	-	2,898,720	-	5,866,262	5,087,462
Other	-	-	-	-	-	-	-	2,975,506	2,975,506	2,014,628
Total Operating Revenues	11,646,796	70,751,796	56,549,860	6,305,601	34,224,359	717,353	1,630,522	5,258,179	187,084,466	172,967,460
<b>OPERATING EXPENSES</b>										
Cost of Power										
Production	6,324,171	34,504,711	-	2,559,646	-	-	-	-	43,388,528	46,567,280
Purchased	(1,983)	-	53,814,600	-	32,768,793	682,544	-	2,282,673	89,546,627	77,277,285
Total Cost of Power	6,322,188	34,504,711	53,814,600	2,559,646	32,768,793	682,544	-	2,282,673	132,935,155	123,844,565
Transmission	432,886	3,049,087	2,327,995	456,922	784,960	-	1,565,269	-	8,617,089	4,349,769
General and administrative	1,071,966	5,727,452	1,102,517	427,925	555,934	34,809	65,254	2,884,766	11,870,623	10,371,334
Depreciation	1,758,249	12,747,104	-	989,838	9,365	-	22,681	80,483	15,607,720	15,470,563
Total Operating Expenses	9,585,289	56,028,324	57,245,112	4,434,331	34,119,052	717,353	1,653,204	5,247,922	169,030,587	154,036,231
Operating Income (Loss)	2,061,507	14,723,472	(695,252)	1,871,270	105,307	-	(22,682)	10,257	18,053,879	18,931,229
<b>NONOPERATING REVENUES (EXPENSES)</b>										
Interest cost incurred	(800,025)	(9,231,930)	(48,490)	(1,475,550)	-	-	-	-	(11,555,995)	(12,624,909)
Amortization of financing-related costs	34,199	383,343	-	(53,349)	-	-	-	-	364,193	447,541
Investment income	33,483	180,822	19,294	18,645	889	466	3,085	3,252	259,936	1,228,517
Net change in fair value of investments	-	(72,549)	-	-	-	-	-	-	(72,549)	(642,520)
Prepaid lease income	-	-	-	-	-	-	-	90,192	90,192	90,192
Sale of emissions	12,488	3,995	-	-	-	-	-	-	16,483	9,146
Total Nonoperating Revenues (Expenses)	(719,855)	(8,736,319)	(29,196)	(1,510,254)	889	466	3,085	93,444	(10,897,740)	(11,492,033)
Income (Loss) Before Deferred Revenue	1,341,652	5,987,153	(724,448)	361,016	106,196	466	(19,597)	103,701	7,156,139	7,439,196
Deferred revenue to be recognized in future periods	(1,341,652)	(5,987,153)	-	(361,016)	(106,196)	(466)	-	-	(7,796,483)	(7,307,122)
Deferred revenue recognized in current period	-	-	724,448	-	-	-	19,597	-	744,045	19,257
<b>CHANGE IN NET ASSETS</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	103,701	103,701	151,331
NET ASSETS - Beginning of Year	-	-	-	-	-	-	-	874,447	874,447	723,116
<b>NET ASSETS - END OF YEAR</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 978,148	\$ 978,148	\$ 874,447

See accompanying notes to financial statements.

**Statements of Cash Flows Follows**

**MICHIGAN PUBLIC POWER AGENCY**

STATEMENTS OF CASH FLOWS  
Year Ended December 31, 2010  
(With Comparative Totals for the Year Ended December 31, 2009)

	Campbell No. 3 Project	Belle River Project	Power Pool Project	Combustion Turbine #1	Energy Services/ Dispatch Project	Granger Project	Transmission Project	General Office Operation	Totals	
									2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Received from customers	\$ 12,358,967	\$ 64,395,988	\$ 58,740,444	\$ 5,406,066	\$ 33,879,363	\$ 791,810	\$ 1,593,537	\$ 3,030,278	\$ 180,196,453	\$ 155,782,724
Paid to suppliers for goods and services	(7,554,781)	(43,215,385)	(99,272,827)	(2,547,961)	(33,544,580)	(543,324)	(1,646,520)	(2,449,547)	(150,774,905)	(131,353,090)
Paid to employees for services	(209,095)	(530,015)	(251,636)	(159,095)	(229,885)	(16,273)	(32,710)	(519,572)	(1,948,282)	(1,877,593)
Net Cash Flows From (Used in) Operating Activities:	4,595,091	20,650,587	(784,019)	2,699,010	104,918	232,213	(85,693)	61,159	27,473,266	22,552,041
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>										
Acquisition and construction of utility plant	(1,622,348)	(3,505,348)	-	-	(114,672)	-	-	-	(5,242,368)	(9,067,387)
Sale of emissions	12,488	3,995	-	-	-	-	-	-	16,483	9,147
Capital contributions of (distributions to) participating members	-	-	(929,341)	-	-	-	-	-	(929,341)	57,879
Principal payment on revenue bonds	(2,570,000)	(17,350,000)	-	(1,030,000)	-	-	-	-	(20,950,000)	(20,575,000)
Interest paid on revenue bonds	(851,425)	(9,687,366)	-	(1,496,725)	-	-	-	-	(12,037,518)	(13,096,787)
Other	-	24,000	(48,490)	-	-	-	-	34,599	10,109	(91,711)
Net Cash Flows From (Used in) Capital and Related Financing Activities	(5,031,285)	(30,514,721)	(977,831)	(2,528,725)	(114,672)	-	-	34,599	(39,132,635)	(42,784,359)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Long-term investments purchased	-	(3,000,000)	-	-	-	-	-	-	(3,000,000)	(2,989,750)
Long-term investments sold	-	11,985,394	-	-	-	-	-	-	11,985,394	35,986,707
Investment income	33,557	277,479	19,294	18,689	889	466	3,085	4,641	358,100	1,630,534
Net Cash Flows From Investing Activities	33,557	9,262,873	19,294	18,689	889	466	3,085	4,641	9,343,494	34,617,491
<b>Net Change in Cash and Cash Equivalents</b>	(402,637)	(601,261)	(1,742,556)	188,974	(6,865)	232,679	(82,608)	100,399	(2,315,875)	14,475,365
<b>CASH AND CASH EQUIVALENTS -</b>										
Beginning of Year (as restated)	12,896,819	78,684,092	5,956,768	7,092,400	128,288	4,620	826,481	800,497	106,389,965	91,914,600
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 12,494,182	\$ 78,082,831	\$ 4,214,212	\$ 7,281,374	\$ 119,423	\$ 237,299	\$ 743,873	\$ 900,896	\$ 104,074,090	\$ 106,389,965

**MICHIGAN PUBLIC POWER AGENCY**

STATEMENTS OF CASH FLOWS (Cont.)  
 Year Ended December 31, 2010  
 (With Comparative Totals for the Year Ended December 31, 2009)

	Campbell No. 3 Project	Belle River Project	Power Pool Project	Combustion Turbine #1	Energy Service/ Dispatch Project	Granger Project	Transmission Project	General Office Operation	Totals	
									2010	2009
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Operating income (loss)	\$ 2,061,507	\$ 14,723,472	\$ (695,252)	\$ 1,871,270	\$ 105,307	\$ -	\$ (22,682)	\$ 10,257	\$ 18,053,879	\$ 18,931,229
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities										
Depreciation	1,758,249	12,747,104	-	989,838	9,365	-	22,681	80,483	15,607,720	15,470,563
Changes in assets and liabilities										
Accounts receivable	724,659	1,053,285	2,190,584	(622,643)	(344,996)	74,457	(36,985)	54,772	3,093,133	(2,819,155)
Fuel inventory	(395,827)	-	-	30,746	-	-	-	-	(365,081)	246,738
Materials and supplies inventory	-	245,862	-	-	-	-	-	-	245,862	(120,974)
Deferred revenue	6,784	(7,409,094)	-	(276,892)	-	-	-	-	(7,679,202)	(11,492,881)
Accounts payable and accrued expense	439,719	(710,042)	(2,279,351)	706,891	335,242	157,756	(48,707)	(84,353)	(1,483,045)	2,336,521
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	\$ 4,595,091	\$ 20,650,587	\$ (784,019)	\$ 2,699,010	\$ 104,918	\$ 232,213	\$ (65,693)	\$ 61,159	\$ 27,473,266	\$ 22,552,041
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET</b>										
Current Assets	\$ 12,494,182	\$ 70,062,830	\$ 4,214,212	\$ 7,281,374	\$ 119,423	\$ 237,299	\$ 743,873	\$ 881,232	\$ 96,054,425	\$ 98,371,689
Restricted Assets	-	8,000,001	-	-	-	-	-	19,584	8,019,585	8,018,276
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	\$ 12,494,182	\$ 78,062,831	\$ 4,214,212	\$ 7,281,374	\$ 119,423	\$ 237,299	\$ 743,873	\$ 900,816	\$ 104,074,010	\$ 106,389,965



# MICHIGAN PUBLIC POWER AGENCY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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### NOTE 1 – NATURE OF OPERATIONS

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Michigan Public Power Agency (MPPA) is a public body politic and corporate of the State of Michigan created in 1978 under Act 448 of the Public Acts of Michigan, 1976, as amended. MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation and maintenance of projects to supply electric power and energy for the present or future needs of its members. Each MPPA member is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. Of MPPA's seventeen members as of December 31, 2010, ten are participants in the Campbell No. 3 Project, eleven are participants in the Belle River Project, eight are participants in the Power Pool Project, five are participants in the Combustion Turbine No.1 Project, three are participants in the Dispatch Project, thirteen participate in the Transmission Project, twelve are participants in the Energy Services Project, and fourteen participate in the Granger Renewable Energy Project.

The financial statements of the utility are presented in conformity with accounting principles generally accepted in the United States of America. In reporting financial activity, the utility applies all applicable Government Accounting Standards Board (GASB) pronouncements, as well as private-sector standards of accounting and financial reporting issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The utility has elected not to follow private-sector standards of accounting and financial reporting issued after that date. In addition, the electric and water utilities meet the criteria and, accordingly, follow the accounting and reporting requirements of Statement of Financial Accounting Standards (FAS) No. 71, *Accounting for the Effects of Certain Types of Regulation*.

#### ***BASIS OF PRESENTATION***

The financial activities of MPPA are recorded in separate proprietary funds described as follows:

##### *Enterprise Funds*

The Campbell No. 3, Belle River, Power Pool Project, Combustion Turbine No. 1, Energy Services/Dispatch, Granger Renewable Energy, and Transmission Funds account for the financing and operation of MPPA's interest in the respective projects, whereby costs are recovered through participant charges. The accounts of these Funds are maintained in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission. The chart of accounts determines how MPPA classifies revenue and expense items in the statement of revenues, expenses, and changes in net assets as operating and nonoperating items.

##### *General Office Operations Fund*

The General Office Operations Fund accounts for financing, through participant charges, the general and administrative activities of MPPA not related to any specific electric power supply project.

# MICHIGAN PUBLIC POWER AGENCY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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### NOTE 1 – NATURE OF OPERATIONS (cont.)

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#### *BASIS OF PRESENTATION (cont.)*

As required by GASB Statement No. 34, net assets are classified into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt and other obligations* – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, obligations, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

When both restricted and unrestricted resources are available for use, it is MPPA's policy to use restricted resources first, then unrestricted resources as they are needed.

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MPPA's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

#### **BUDGETARY ACCOUNTING**

The Board of Commissioners of MPPA adopts an operating budget each year for all funds, on the same basis of accounting used to reflect actual revenues and expenses in the financial statements. The General Manager exercises budgetary control.

#### **USE OF ESTIMATES**

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

# MICHIGAN PUBLIC POWER AGENCY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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### NOTE 1 – NATURE OF OPERATIONS (cont.)

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#### *OPERATING REVENUES*

MPPA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with MPPA's principal ongoing operations. The principal operating revenues of MPPA are charges to members for sales and services. Operating expenses for MPPA include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### *ACCOUNTS RECEIVABLE*

Accounts receivable are stated at the net invoice amount billed to MPPA's members. Any outstanding receivables are collected in full within 30 days of being invoiced. As such, there has been no allowance for doubtful accounts recorded.

#### *UTILITY PLANT*

Additions to and replacements of utility plant are recorded at original cost including any capitalized interest for borrowed funds used to construct the facilities. Depreciation is recorded using the straight-line method using service lives of 3 to 54 years. The agency capitalizes assets with a cost greater than \$500.

Interest is capitalized on utility property acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

#### *INVENTORIES*

Fuel inventories for the Belle River Project, Campbell No. 3 Project and the Combustion Turbine No. 1 Project are stated at average cost. The materials and supplies inventory is stated at average cost.

#### *CASH EQUIVALENTS*

For purposes of the statement of cash flows, cash equivalents are cash and investments having an initial maturity of three months or less.

#### *INVESTMENTS*

Investments are stated at fair market value, based on quoted market prices.

# MICHIGAN PUBLIC POWER AGENCY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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### NOTE 1 – NATURE OF OPERATIONS (cont.)

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#### *DEFERRED CHARGES*

Bond issuance costs, premiums and discounts are deferred and amortized over the life of the bonds based on the effective interest method. Losses on advance refundings occurring after 1993 are deferred and amortized on a straight-line basis over the repayment period of the related debt.

#### *DEFERRED REVENUES*

The Agency applies the provisions of FASB ASC 980, *Regulated Operations*, formerly known as Statement of Financial Accounting Standards (FAS) No. 71, *Accounting for the Effects of Certain Types of Regulation* (FAS No. 71). This statement recognizes the effects of operating in a regulatory environment creating future economic benefits and obligations affecting its members. Accordingly, MPPA records these future economic benefits and obligations as regulatory assets and regulatory liabilities, respectively.

Regulatory assets represent probable future revenues associated with previously incurred costs that are expected to be recovered from customers. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be refunded to members through the ratemaking process.

In order for MPPA to continue to apply the provisions of FASB ASC 980, it must continue to meet the following three criteria: (1) MPPA's rates for services provided to its customers must be established by an independent third-party regulator or its own governing board empowered by a statute to establish rates that bind customers; (2) MPPA's rates must be designed to recover its costs of providing the services; and (3) in view of the demand for the services and the level of competition, it is reasonable to assume that rates set at levels that will recover MPPA's costs can be charged to and collected from customers.

In accordance with the provisions of FASB ASC 980, revenues collected from members in excess of operating expenses are deferred to future periods when they will be recognized as revenues.

#### *RATES*

Members are billed monthly based on estimated usage, with amounts adjusted to actual costs in future months' bills. Accrued revenues are not considered material to these financial statements.

#### *TAXES*

MPPA is exempt from state and federal income taxes.

# MICHIGAN PUBLIC POWER AGENCY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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### NOTE 1 – NATURE OF OPERATIONS (cont.)

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#### *COMPENSATED ABSENCES*

Under terms of employment, employees earn four hours of personal leave per month. Employees can accumulate up to thirty days of personal leave. Employees are paid for unused personal leave upon separation of service.

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### NOTE 2 – JOINT PROJECT OWNERSHIP AGREEMENTS

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#### *CAMPBELL UNIT No. 3*

MPPA and Consumers Energy Company (Consumers) entered into the following agreements dated October 1, 1979, as amended, relating to Consumers' Campbell Unit No. 3 steam-electric generating unit, which went into commercial operation in September 1980:

The Campbell Ownership Agreement provides for MPPA to own a 4.8% undivided interest in Campbell Unit No. 3, for Consumers to operate Campbell Unit No. 3, for the sale of surplus electric capacity to Consumers, for operating costs of Campbell Unit No. 3 to be shared on a pro rata basis, and for MPPA to purchase an undivided ownership interest in the fuel supply for Campbell Unit No. 3.

The Campbell Transmission Agreement provides for MPPA to purchase a 58.06% undivided ownership interest in Consumers' Vergennes to Kenowa-Goss 345 KV transmission line, the method of determining certain charges for utilization of the Consumers transmission system, for the sale to Consumers of planned available transmission capacity in excess of MPPA's need, and for sharing transmission line operating expenses.

The Campbell Back-Up Agreement provides for Consumers to make backup electric capacity and energy available to MPPA from its electric system reserves in the event of total or partial unavailability of capacity and energy from Campbell Unit No. 3, and for determination of the associated backup electric capacity and energy charges to MPPA.

MPPA entered into a Power Sales Contract and a Project Support Contract with each of the ten members who elected to participate in the Campbell No. 3 Project. These contracts provide for the participant to purchase from MPPA the participant's entitlement share, as defined, of the generation and transmission of the Project. Each participant also shares proportionately in the proceeds from MPPA's sale of excess generating and transmission capacity to Consumers. Each participant is obligated to pay its share of the operating and debt service costs of the Project.

#### *BELLE RIVER UNIT No. 1*

On December 1, 1982, MPPA and Detroit Edison Company (Edison) entered into the following agreements, as amended, relating to Edison's Belle River Unit No. 1 steam-electric generating unit, part of a two-unit generating station, which went into commercial operation in August 1984:

# MICHIGAN PUBLIC POWER AGENCY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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### NOTE 2 – JOINT PROJECT OWNERSHIP AGREEMENTS (cont.)

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#### *BELLE RIVER UNIT No. 1 (cont.)*

The Belle River Participation Agreement provides for MPPA to purchase a 37.22% undivided ownership interest in Belle River Unit No. 1 and an undivided ownership interest in certain common and joint facilities associated with Belle River Unit No. 1, for MPPA to purchase an undivided ownership interest in the fuel supply stockpile, for Edison to operate Belle River Units No. 1 and 2, for the sharing of operating costs of both units, for the sale of surplus electric capacity and energy to Edison, and for backup electric capacity and energy from Edison's electric system reserves to be available in the event of total or partial unavailability of power and energy from Belle River. Pursuant to the reliability exchange provisions in the Agreement, MPPA is entitled to 18.61% of the electric capacity and energy from each of the Belle River Units No. 1 and 2.

The Belle River Transmission Ownership and Operating Agreement with Edison provides for MPPA to purchase a 50.41% undivided ownership interest in Edison's Greenwood-St. Clair-Jewell-Stephens Transmission Line and the Monroe-Wayne-Coventry-Majestic Transmission Line, for Edison to operate the transmission lines, for the sharing of operating costs, and for the sale of planned excess transmission capacity to Edison.

MPPA entered into the Belle River Transmission Ownership and Operating Agreement with Consumers, dated December 1, 1982, as amended, which provides MPPA with a 90% undivided ownership interest in certain Consumers-designated transmission lines, for Consumers to operate the transmission lines, for the sharing of operating costs, and for the sale to Consumers of planned excess transmission capacity, if any.

MPPA entered into a Power Sales Contract and a Project Support Contract with each of the eleven members who elected to participate in the Belle River Project. These contracts provide for the participants to purchase from MPPA their entitlement share, as defined, of generation and transmission of the Project. Each participant also shares proportionately in MPPA's sale of excess generating and transmission capacity. Each participant is obligated to pay its share of power, transmission, backup, debt service, and other project-related costs.

#### *COMBUSTION TURBINE PROJECT No. 1*

In 2002, MPPA completed construction of a 50 MW (nominal nameplate rating) simple-cycle combustion turbine generating unit fueled with natural gas (the CT Project No. 1). The unit is located in Kalkaska County, Michigan. The project included construction of natural gas pipeline and metering equipment to connect to Coral Energy, LLC's (Coral) natural gas facilities, a 69 kV electrical line tap and associated equipment to deliver the output of the CT Project No. 1 to the transmission system owned by Wolverine Power Supply Cooperative (Wolverine), and an undivided ownership interest in certain transmission lines on the METC transmission system. MPPA has purchased a parcel of land from Coral and entered into a long-term fuel purchase contract with Coral to supply the CT Project No.1.

# MICHIGAN PUBLIC POWER AGENCY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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### NOTE 2 – JOINT PROJECT OWNERSHIP AGREEMENTS (cont.)

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#### *COMBUSTION TURBINE PROJECT No. 1 (cont.)*

MPPA entered into a Power Sales Contract with each of the five members who elected to participate in the CT Project No. 1. These contracts provide for the participants to purchase from MPPA their entitlement share, as defined, of generation and transmission of the Project. Each participant is obligated to pay its share of the operating and debt services costs of the project.

#### *GRANGER RENEWABLE ENERGY PROJECT*

MPPA has agreements to purchase renewable energy from landfill gas resources to assist its members in compliance with Michigan Public Act 295. MPPA expects to purchase a maximum of 23 MWs for members of the Project. The project members began receiving renewable energy in mid-2010.

#### *TRANSMISSION PROJECT*

In 2005, the MPPA members contributed capital for the purchase of transmission rights in the bulk transmission system. In 2006, MPPA purchased an undivided ownership in certain transmission lines giving rights to use of the bulk transmission system. Thirteen members participate in this project.

# MICHIGAN PUBLIC POWER AGENCY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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### NOTE 3 – CASH AND INVESTMENTS

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MPPA adopted an investment policy, in accordance with the bond resolutions, that allows it to invest in U.S. Treasury obligations, certain federal agency securities, new Michigan Housing Authority bonds, direct and general obligations of any state, certificates of deposit with qualified United States institutions, repurchase agreements with qualified institutions, municipal obligations, time deposits, bankers' acceptances, commercial paper, and pooled investment funds.

#### *CASH AND INVESTMENTS – DECEMBER 31, 2010*

	<u>Carrying Value</u>
Restricted Assets	
Certificates of deposit	\$ 19,664
Money market and mutual funds	<u>8,000,001</u>
	<u>8,019,665</u>
Current Assets	
Cash and cash equivalents	
Money market and mutual funds	67,704,531
Demand and savings deposits	<u>561,140</u>
	<u>68,265,671</u>
Restricted assets – Money market and mutual funds	27,788,754
U.S. Government Agency notes	<u>1,001,406</u>
	<u>97,055,831</u>
Total Cash and Investments	<u>\$ 105,075,496</u>

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

Deposits in banks are insured by the FDIC in the amount of \$250,000 for all interest-bearing accounts and unlimited for all noninterest-bearing accounts.

Market values may have changed significantly since the balance sheet date.



# MICHIGAN PUBLIC POWER AGENCY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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### NOTE 3 – CASH AND INVESTMENTS (cont.)

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#### *CUSTODIAL CREDIT RISK*

##### **Deposits**

Custodial credit risk is the risk that in the event of a financial institution failure, MPPA's deposits may not be returned to MPPA. At December 31, 2010, MPPA had \$28,927,740 in uninsured and uncollateralized deposits. MPPA's investment policy does not require collateralization of deposits but rather restricts the financial institutions that can be used based on the equity and market ratings of the financial institution's debt.

##### **Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, MPPA will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held at December 31, 2010 were considered to be investments held in trust on behalf of MPPA and therefore, not subject to custodial credit risk. MPPA's policy is to have all investment securities held by its agent in MPPA's name.

#### *CREDIT RISK*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2010, MPPA's investments were rated as follows:

<u>Investment Type</u>	<u>Standard &amp; Poor's</u>	<u>Moody's</u>
US Agency Securities	AAA	Aaa
Mutual Funds	AAAm	Aaa

MPPA's investment policy requires that all investments be rated in highest or second highest categories by the national rating agencies.

#### *CONCENTRATIONS OF CREDIT RISK*

Concentration of credit risk is the risk of loss attributed to the magnitude of MPPA's investment in a single issuer.

At December 31, 2010, of investments held with issuers, none totaled more than 1 percent of the total cash and investments.

MPPA's investment policy does not limit the amount of the portfolio that can be invested in US government agency securities or any one issuer of such investments.

## MICHIGAN PUBLIC POWER AGENCY

### NOTES TO FINANCIAL STATEMENTS December 31, 2010

#### **NOTE 3 – CASH AND INVESTMENTS (cont.)**

##### *INTEREST RATE RISK*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

At December 31, 2010, MPPA's investments were as follows:

Investment Type	Fair Value	Maturity In Years	
		Less than 1	1 – 5
US Government Agency Securities	\$ 1,001,406	\$ -	\$ 1,001,406
Mutual Funds	74,565,543	74,565,543	-
<b>Totals</b>	<b>\$ 75,566,949</b>	<b>\$ 74,565,543</b>	<b>\$ 1,001,406</b>

MPPA's investment policy restricts operational funds to maturities of one year or less, reserve and contingency funds to five years or less, and debt service reserve funds to fifteen years or less.

#### **NOTE 4 – RESTRICTED ASSETS**

MPPA's bond resolutions require the segregation of bond proceeds, establishment of various funds, and prescribe the application of MPPA's revenues. Also, it defines what type of securities MPPA may invest in. The funds established by the resolution are detailed in the balance sheet. MPPA is in compliance with all bond resolution funding requirements.

#### **NOTE 5 – CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for 2010 follows:

	Balance 1/1/2010	Additions/ Reclassi- fications	Deletions/ Reclassi- fications	Balance 12/31/2010
Capital assets not being depreciated:				
Land	\$ 598,889	\$ -	\$ -	\$ 598,889
Capital assets being depreciated:				
Utility Plant in Service	572,602,275	4,735,446	-	577,337,721
Less: Accumulated Depreciation	(346,686,313)	(15,607,720)	76,615	(362,217,418)
<b>Net Utility Plant</b>	<b>\$ 226,514,851</b>			<b>\$ 215,719,192</b>

**MICHIGAN PUBLIC POWER AGENCY**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

**NOTE 6 – NON-CURRENT LIABILITIES**

***CAMPBELL No. 3 PROJECT REVENUE BONDS***

The following bonds have been issued by MPPA:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>
May 1, 2002	Finance cost of improvements	01/01/13	4.0 – 4.25%	\$ 11,000,000
Jan 15, 2006	Finance cost of improvements	01/01/16	5.0%	9,000,000

The following obligations are outstanding at December 31:

	<u>2010</u>
2002A bonds	\$ 8,430,000
2006A bonds	9,000,000
Unamortized premium on 2006A bonds	<u>338,730</u>
	17,768,730
Less: Current portion	<u>(2,690,000)</u>
<b>Total</b>	<b><u>\$ 15,078,730</u></b>

MPPA's annual debt service requirements are collected from participating member municipalities and from transfers from the project account during the period preceding the required interest and principal payments. Debt service requirements to be collected during each of the five years following December 31, 2010, and in five-year increments thereafter to maturity, are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,810,000	\$ 689,735	\$ 3,499,735
2012	2,930,000	574,525	3,504,525
2013	3,000,000	450,000	3,450,000
2014	3,000,000	300,000	3,300,000
2015	<u>3,000,000</u>	<u>150,000</u>	<u>3,150,000</u>
<b>Totals</b>	<b><u>\$ 14,740,000</u></b>	<b><u>\$ 2,164,260</u></b>	<b><u>\$ 16,904,260</u></b>

Substantially all revenues of the Campbell No. 3 Project are pledged until the debt is defeased.

**MICHIGAN PUBLIC POWER AGENCY**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

**NOTE 6 – NON-CURRENT LIABILITIES (cont.)**

**CAMPBELL No. 3 PROJECT REVENUE BONDS (cont.)**

*Non-Current liabilities as of December 31, 2010:*

	01/01/2010 Balance	Additions	Reductions	12/31/2010 Balance
Revenue bonds	\$ 20,000,000	\$ -	\$ (2,570,000)	\$ 17,430,000
Unamortized premium on bonds	423,413	-	(84,683)	338,730
Current maturities	(2,570,000)	(120,000)	-	(2,690,000)
Deferred revenues	<u>22,206,325</u>	<u>1,341,652</u>	<u>6,785</u>	<u>23,554,762</u>
 Total Long-Term Liabilities	 <u>\$ 40,059,738</u>	 <u>\$ 1,221,652</u>	 <u>\$ (2,647,898)</u>	 <u>\$ 38,633,492</u>

**BELLE RIVER PROJECT REVENUE BONDS**

The following bonds have been issued by MPPA:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>
December 2, 2002	Refund 1993A&B bonds	1/1/18	2.35 – 5.25%	\$ 280,180,000

The following obligations are outstanding at December 31:

	<u>2010</u>
2002A bonds	\$ 175,930,000
Unamortized loss on 2002A advanced refunding transaction	(4,332,792)
Unamortized premium on 2002A bonds	<u>6,096,482</u>
	177,693,690
Less: Current portion	<u>(18,265,000)</u>
Total	<u>\$ 159,428,690</u>

## MICHIGAN PUBLIC POWER AGENCY

### NOTES TO FINANCIAL STATEMENTS December 31, 2010

#### NOTE 6 – NON-CURRENT LIABILITIES (cont.)

##### *BELLE RIVER PROJECT REVENUE BONDS (cont.)*

MPPA's annual debt service requirements are collected from participating member municipalities and from transfers from the project account during the period preceding the required interest and principal payments. Debt service requirements to be collected during each of the five years following December 31, 2010, and in five-year increments thereafter to maturity, are as follows:

Year Ending December 31	Principal	Interest	Total
2011	\$ 19,220,000	\$ 8,276,813	\$ 27,496,813
2012	20,225,000	7,268,362	27,493,362
2013	21,290,000	6,206,550	27,496,550
2014	22,405,000	5,088,825	27,493,825
2015	23,580,000	3,912,563	27,492,563
2016– 2017	50,945,000	4,046,175	54,991,175
Totals	<u>\$ 157,665,000</u>	<u>\$ 34,799,288</u>	<u>\$ 192,464,288</u>

Substantially all revenues of the Belle River Project are pledged until the debt is defeased.

##### *Non-current liabilities as of December 31, 2010:*

	01/01/2010 Balance	Additions	Reductions	12/31/2010 Balance
Revenue bonds	\$ 193,280,000	\$ -	\$ (17,350,000)	\$ 175,930,000
Unamortized loss on advanced refunding transaction	(5,482,242)	-	1,149,449	(4,332,793)
Unamortized premium on bonds	7,851,223	-	(1,754,740)	6,096,483
Current maturities	(17,350,000)	-	(915,000)	(18,265,000)
Deferred revenues	69,913,047	5,987,153	(7,409,091)	68,491,109
Total Non-current Liabilities	<u>\$ 248,212,028</u>	<u>\$ 5,987,153</u>	<u>\$ (26,279,382)</u>	<u>\$ 227,919,799</u>

##### **POWER POOL PROJECT**

The non-current liabilities in the Power Pool Project consisted of deferred revenues to be recognized in future periods and capital contributions from members. Interest was paid to members of this project at a rate of 1.9%, which is based on the U.S. Treasury bond rate at September 30, on their January 1 capital contribution balance. Both have now been reclassified as short-term liabilities.

**MICHIGAN PUBLIC POWER AGENCY**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

**NOTE 6 – NON-CURRENT LIABILITIES (cont.)**

*COMBUSTION TURBINE No. 1 PROJECT REVENUE BONDS*

The following bonds have been issued by MPPA:

Date	Purpose	Final Maturity	Interest Rates	Original Amount
January 10, 2002	Building of turbine	1/1/27	3.75 – 5.4%	\$ 34,645,000

The following obligations are outstanding at December 31:

	2010
2002A bonds	\$ 28,260,000
Less: Unamortized discount on 2002A bonds	(33,509)
Sub-total	28,226,491
Less: Current portion	(1,080,000)
Total	<u>\$ 27,146,491</u>

MPPA's annual debt service requirements are collected from participating member municipalities and from transfers from the project account during the period preceding the required interest and principal payments. Debt service requirements to be collected during each of the five years following December 31, 2010, and in five-year increments thereafter to maturity, are as follows:

Year Ending December 31	Principal	Interest	Total
2011	\$ 1,125,000	\$ 1,426,950	\$ 2,551,950
2012	1,185,000	1,367,888	2,552,888
2013	1,245,000	1,305,675	2,550,675
2014	1,315,000	1,240,313	2,555,313
2015	1,380,000	1,171,275	2,551,275
2016 – 2020	8,075,000	4,689,562	12,764,562
2021 – 2025	10,430,000	2,335,200	12,765,200
2026	2,425,000	127,312	2,552,312
Totals	<u>\$ 27,180,000</u>	<u>\$ 13,664,175</u>	<u>\$ 40,844,175</u>

## MICHIGAN PUBLIC POWER AGENCY

### NOTES TO FINANCIAL STATEMENTS December 31, 2010

#### **NOTE 6 – NON-CURRENT LIABILITIES (cont.)**

##### ***COMBUSTION TURBINE No. 1 PROJECT REVENUE BONDS (cont.)***

Substantially all revenues of the Combustion Turbine No. 1 Project are pledged until the debt is defeased.

*Non-current liabilities as of December 31, 2010:*

	01/01/2010 Balance	Additions	Reductions	12/31/2010 Balance
Revenue bonds	\$ 29,290,000	\$ -	\$(1,030,000)	\$ 28,260,000
Unamortized discount on term bonds	(37,127)	-	3,618	(33,509)
Current maturities	(1,030,000)	-	(50,000)	(1,080,000)
Deferred revenues	1,511,190	361,016	(276,892)	1,595,314
<b>Total Non-current Liabilities</b>	<b>\$ 29,734,063</b>	<b>\$ 361,016</b>	<b>\$(1,353,274)</b>	<b>\$ 28,741,805</b>

##### ***ENERGY SERVICES/DISPATCH PROJECT***

The non-current liabilities in the Energy Services/Dispatch project consist of deferred revenues to be recognized in future periods.

*Non-current liabilities as of December 31, 2010:*

	01/01/2010 Balance	Additions	Reductions	12/31/2010 Balance
Deferred revenues	\$ 35,478	\$ 155,275	\$ -	\$ 190,753

##### ***GRANGER RENEWABLE ENERGY PROJECT***

The non-current liabilities in the transmission project consist of deferred revenues to be recognized in future periods and capital contributions from members.

*Non-current liabilities as of December 31, 2010:*

	01/01/2010 Balance	Additions	Reductions	12/31/2010 Balance
Deferred revenues	\$ -	\$ 466	\$ -	\$ 466
Capital contributions of members	-	58,500	-	58,500
<b>Total Non-current Liabilities</b>	<b>\$ -</b>	<b>\$ 58,966</b>	<b>\$ -</b>	<b>\$ 58,966</b>

**MICHIGAN PUBLIC POWER AGENCY**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

**NOTE 6 – NON-CURRENT LIABILITIES (cont.)**

**TRANSMISSION PROJECT**

The non-current liabilities in the transmission project consist of deferred revenues to be recognized in future periods and capital contributions from members.

*Non-current liabilities as of December 31, 2010:*

	01/01/2010 Balance	Additions	Reductions	12/31/2010 Balance
Deferred revenues	\$ 216,483	\$ -	\$ (19,597)	\$ 196,886
Capital contributions of members	3,335,511	-	-	3,335,511
<b>Total Non-current Liabilities</b>	<b>\$ 3,551,994</b>	<b>\$ -</b>	<b>\$ (19,597)</b>	<b>\$ 3,532,397</b>

**NOTE 7 – EMPLOYEE RETIREMENT PLAN**

MPPA employees are covered by a defined contribution retirement pension plan, the Michigan Public Power Agency plan (the plan) which is administered by ICMA Retirement Corporation. MPPA makes an annual contribution based on a percentage of employee earnings on behalf of each employee. The plan follows the Standard 401(a) plan offered by the ICMA-RC. Required contributions by MPPA are 15% of employee salaries. Employees do not make contributions to the plan. The contribution requirements are established and can be amended by the MPPA Board of Commissioners. Total contributions to the plan by MPPA for the years ended December 31, 2010, 2009, and 2008 were approximately \$255,000, \$239,000, and \$231,000, respectively.

**NOTE 8 – CONTRACTS AND COMMITMENTS**

**CONTRACT WITH CONSUMERS ENERGY**

MPPA contracted with Consumers to purchase fuel coal in order to maintain a stockpile level of 13,455 wet tons for the Campbell Unit No. 3 plant. The coal is purchased at the prevailing market price at the time of delivery. MPPA also purchased an additional stockpile of coal as a substitute for its proportionate interest in the materials and supply inventory at Campbell Unit No. 3. This stockpile is maintained at a level to approximate MPPA's ownership interest in the materials and supply inventory at the Campbell plant.

**CONTRACT WITH DETROIT EDISON**

MPPA's share of the stockpile of coal for the Belle River plant equals 260,500 tons.



# MICHIGAN PUBLIC POWER AGENCY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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### NOTE 8 – CONTRACTS AND COMMITMENTS (cont.)

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#### *CONTRACT WITH CORAL ENERGY*

MPPA contracted with Coral Energy (now Shell Energy) for natural gas for the CT Project No.1. The contract expires in 2012.

#### *FUTURE ENERGY CONTRACTS*

The Power Pool Project will be dissolved completely during 2011, with several of the members transitioning their energy needs into the Energy Services Project. The agency has entered into long-term contracts for the purchase of capacity and energy to meet the anticipated load requirements of these members. As of year end, the power commitments for the period from January 1, 2011 – December 31, 2015 total approximately \$176,000,000. The Energy Services Project and Dispatch Project have agreed to share administrative costs and are presented as one project.

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### NOTE 9 – RISK MANAGEMENT

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MPPA is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared to the prior year.

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### NOTE 10 – CONCENTRATION OF RISK

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Credit risk represents the risk of loss that would occur if customers do not meet their financial obligations to MPPA. Concentration of risk occurs when significant customers possess similar characteristics that would cause their ability to meet contractual obligations to be affected by the same events.

MPPA has two members who are considered significant customers that accounted for \$30 million (16%) of MPPA revenues in 2010.

# MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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## NOTE 11 – BOND COVENANT DISCLOSURES

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### *CAMPBELL No. 3 PROJECT*

#### *Compliance with Funding Requirements*

MPPA is in compliance with bond funding requirements.

#### *Debt Service Coverage*

	<u>2010</u>
Operating revenues	\$ 11,646,796
Other revenues	<u>45,971</u>
	<u>11,692,767</u>
Operating expenses	9,585,289
Less: Depreciation	<u>(1,758,249)</u>
	<u>7,827,040</u>
Net revenues	<u>3,865,727</u>
Debt service	3,490,025
	x <u>1.10</u>
Required revenues	<u>3,839,027</u>
Revenues in Excess of Coverage Requirements	<u>\$ 26,700</u>

All project revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are retired.

**MICHIGAN PUBLIC POWER AGENCY**

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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**NOTE 11 – BOND COVENANT DISCLOSURES (cont.)**

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***BELLE RIVER PROJECT***

***Compliance with Funding Requirements***

MPPA is in compliance with bond funding requirements.

***Debt Service Coverage***

	<u>2010</u>
Operating revenues	\$ 70,751,796
Other revenues	<u>184,817</u>
	<u>70,936,613</u>
Operating expenses	56,028,324
Less: Depreciation	<u>(12,747,104)</u>
	<u>43,281,220</u>
Net Revenues	<u>27,655,393</u>
Debt service	<u>27,496,930</u>
Revenues in Excess of Coverage Requirements	<u>\$ 158,463</u>

All project revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are retired.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

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**NOTE 11 – BOND COVENANT DISCLOSURES (cont.)**

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**COMBUSTION TURBINE NO. 1 PROJECT**

**Compliance with Funding Requirements**

MPPA is in compliance with bond funding requirements.

**Debt Service Coverage**

	<u>2010</u>
Operating revenues	\$ 6,305,601
Other revenues	<u>18,645</u>
	<u>6,324,246</u>
Operating expenses	4,434,331
Less: Depreciation	<u>(989,838)</u>
	<u>3,444,493</u>
Net Revenues	<u>2,879,753</u>
Debt service	2,555,550
	X <u>1.10</u>
Required revenues	<u>2,811,105</u>
Revenues in Excess of Coverage Requirements	<u>\$ 68,648</u>

All project revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are retired.

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**NOTE 12 – Prior Period Restatement**

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During the year ended December 31, 2010, MPPA determined that due to an increasing volume of activity and participation, the Granger Renewable Energy Project and the Energy Services Committee, which were previously accounted for as service committees under the General Office Operation fund, should now be presented as a separate enterprise fund. Additionally, MPPA determined that the Energy Services Committee should be combined with the Dispatch Project fund due to the similarities between the funds. As such, the beginning cash balance of the General Office Operation fund has been adjusted by approximately \$8,400 as \$4,600 was transferred to the Granger Renewable Energy Project and \$3,800 was transferred to the Energy Services Project.

**OTHER SUPPLEMENTAL INFORMATION**

**MICHIGAN PUBLIC POWER AGENCY**

SCHEDULE OF CHANGES IN FUNDS ESTABLISHED BY THE CAMPBELL NO. 3 PROJECT REVENUE BOND RESOLUTION  
Year Ended December 31, 2010

	Debt Service Account	Revenue Account	Operation and Maintenance Account	Operation and Maintenance Reserve Account	Fuel Reserve Account	Construction Account	Project Account	Totals
Cash and investments at January 1, 2010	\$ 3,021,413	\$ -	\$ 924,670	\$ 250,000	\$ 800,000	\$ -	\$ 7,900,736	\$ 12,896,819
Receipts	-	12,361,686	-	-	-	-	-	12,361,686
Investment receipts	1,439	-	32,118	-	-	-	-	33,557
Proceeds from bonds	-	-	-	-	-	-	-	-
Payment of interest on bonds	(851,425)	-	-	-	-	-	-	(851,425)
Payment of bond principal	(2,570,000)	-	-	-	-	-	-	(2,570,000)
Disbursements	-	(2,873,175)	(6,503,280)	-	-	-	-	(9,376,455)
Transfers - net	3,488,586	(9,488,511)	6,583,408	-	-	-	(583,483)	-
<b>CASH AND INVESTMENTS AT DECEMBER 31, 2010</b>	<b>\$ 3,090,013</b>	<b>\$ -</b>	<b>\$ 1,036,916</b>	<b>\$ 250,000</b>	<b>\$ 800,000</b>	<b>\$ -</b>	<b>\$ 7,317,253</b>	<b>\$ 12,494,182</b>

**MICHIGAN PUBLIC POWER AGENCY**

SCHEDULE OF CHANGES IN FUNDS ESTABLISHED BY THE BELLE RIVER PROJECT REVENUE BOND RESOLUTION  
Year Ended December 31, 2010

	Debt Service Account	Debt Service Reserve Account	Reserve and Contingency Account	Revenue Account	Operation and Maintenance Account	Project Account	Totals
Cash and investments at January 1, 2010	\$ 22,421,403	\$ -	\$ 8,000,001	\$ -	\$ 7,753,297	\$ 50,568,738	\$ 88,743,439
Sales	-	-	-	68,897,664	3,369,475	-	72,267,139
Investment receipts	10,599	-	6,673	-	21,193	239,014	277,479
Net increase (decrease) in fair value of investments	-	-	-	-	-	(72,549)	(72,549)
Payment of interest on bonds	(9,687,367)	-	-	-	-	-	(9,687,367)
Payment of bond principal	(17,350,000)	-	-	-	-	-	(17,350,000)
Disbursements	-	-	-	(43,320,872)	(4,314,698)	(7,458,334)	(55,093,904)
Transfers - net	27,486,331	-	(6,673)	(25,576,792)	1,595,808	(3,498,674)	-
<b>CASH AND INVESTMENTS AT DECEMBER 31, 2010</b>	<b>\$ 22,880,966</b>	<b>\$ -</b>	<b>\$ 8,000,001</b>	<b>\$ -</b>	<b>\$ 8,425,075</b>	<b>\$ 39,778,195</b>	<b>\$ 79,084,237</b>

## MICHIGAN PUBLIC POWER AGENCY

### DETAILS OF REVENUES AND EXPENSES - CAMPBELL NO. 3 PROJECT

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
<b>OPERATING REVENUES</b>				
Gross Sales				
Power	\$ 6,490,291	\$ 5,839,555	\$ 5,763,030	\$ (650,736)
Backup capacity	-	(1,983)	295,590	(1,983)
Transmission	392,352	356,183	324,874	(36,169)
Energy (fuel)	5,593,670	5,203,658	6,311,780	(390,012)
Backup energy	-	-	118,650	-
MISO gain (loss)	-	(19,272)	5,708	(19,272)
Transmission utilization	-	268,655	217,458	268,655
Total Gross Sales	<u>12,476,313</u>	<u>11,646,796</u>	<u>13,037,090</u>	<u>(829,517)</u>
Less allowance for market sales	-	-	-	-
Net Sales to Participants	<u>12,476,313</u>	<u>11,646,796</u>	<u>13,037,090</u>	<u>(829,517)</u>
Market Sales	-	-	-	-
Total Operating Revenue	<u>12,476,313</u>	<u>11,646,796</u>	<u>13,037,090</u>	<u>(829,517)</u>
<b>OPERATING EXPENSES</b>				
Production				
Fuel	5,593,670	5,203,658	6,311,780	(390,012)
Operation	1,106,100	569,218	555,057	(536,882)
Maintenance	656,500	551,295	501,231	(105,205)
Total Production	<u>7,356,270</u>	<u>6,324,171</u>	<u>7,368,068</u>	<u>(1,032,099)</u>
Purchased Power				
Backup capacity	-	(1,983)	295,590	(1,983)
Backup energy	-	-	118,650	-
Total Purchased Power	<u>-</u>	<u>(1,983)</u>	<u>414,240</u>	<u>(1,983)</u>
Transmission				
Operation	200,400	164,231	141,694	(36,169)
Maintenance	-	-	-	-
Utilization	-	268,655	217,458	268,655
Total Transmission	<u>200,400</u>	<u>432,886</u>	<u>359,152</u>	<u>232,486</u>
General and Administrative				
Salaries and wages	258,984	209,095	215,143	(49,889)
Employee benefits	395,436	473,499	421,769	78,063
Outside services	174,545	169,978	180,464	(4,567)
Taxes	66,000	48,277	45,853	(17,723)
Insurance and liability	81,110	102,282	110,476	21,172
Meetings and travel	7,500	6,492	7,826	(1,008)
Office supplies	31,980	25,119	28,231	(6,861)
Rents	24,084	18,871	18,995	(5,213)
Miscellaneous	40,976	18,353	23,378	(22,623)
Total General and Administrative	<u>1,080,615</u>	<u>1,071,966</u>	<u>1,052,135</u>	<u>(8,649)</u>



## MICHIGAN PUBLIC POWER AGENCY

### DETAILS OF REVENUES AND EXPENSES - CAMPBELL NO. 3 PROJECT (cont.)

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
<b>OPERATING EXPENSES (cont.)</b>				
Depreciation	\$ 1,749,600	\$ 1,758,249	\$ 1,728,634	\$ 8,649
Total Operating Expense	<u>10,386,885</u>	<u>9,585,289</u>	<u>10,922,229</u>	<u>(801,596)</u>
Operating Income	<u>2,089,428</u>	<u>2,061,507</u>	<u>2,114,861</u>	<u>(27,921)</u>
<b>OTHER EXPENSES</b>				
Interest cost incurred	800,028	800,025	902,825	(3)
Amortization of financing-related costs	(34,205)	(34,199)	(26,789)	6
Total Other Expenses	<u>765,823</u>	<u>765,826</u>	<u>876,036</u>	<u>3</u>
<b>OTHER REVENUES</b>				
Investment income	43,500	33,483	42,592	(10,017)
Sale of emission allowances	-	12,488	1,463	12,488
Total Other Income	<u>43,500</u>	<u>45,971</u>	<u>44,055</u>	<u>2,471</u>
Income before deferred revenue	<u>\$ 1,367,105</u>	1,341,652	1,282,880	<u>\$ (25,453)</u>
Deferred revenue to be recognized in future periods		<u>(1,341,652)</u>	<u>(1,282,880)</u>	
<b>CHANGE IN NET ASSETS</b>		<u>\$ -</u>	<u>\$ -</u>	

## MICHIGAN PUBLIC POWER AGENCY

### DETAILS OF REVENUES AND EXPENSES - BELLE RIVER PROJECT

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
<b>OPERATING REVENUES</b>				
Gross Sales				
Power	\$ 38,733,826	\$ 37,965,736	\$ 38,532,865	\$ (768,090)
Backup capacity	-	-	-	-
Transmission	3,200,484	4,326,139	4,181,463	1,125,655
Energy (fuel)	33,266,881	27,017,115	29,532,924	(6,249,766)
Backup energy	-	-	-	-
MISO gain (loss)	949,200	(53,235)	(350,270)	(1,002,435)
Transmission utilization	-	1,496,041	1,010,647	1,496,041
Total Gross Sales	<u>76,150,391</u>	<u>70,751,796</u>	<u>72,907,629</u>	<u>(5,398,595)</u>
Less allowance for market sales	<u>(2,355,000)</u>	<u>(2,967,542)</u>	<u>(2,520,137)</u>	<u>(612,542)</u>
Net Sales to Participants	<u>73,795,391</u>	<u>67,784,254</u>	<u>70,387,492</u>	<u>(6,011,137)</u>
Market Sales	<u>2,355,000</u>	<u>2,967,542</u>	<u>2,520,137</u>	<u>612,542</u>
Total Operating Revenue	<u>76,150,391</u>	<u>70,751,796</u>	<u>72,907,629</u>	<u>(5,398,595)</u>
<b>OPERATING EXPENSES</b>				
Production				
Fuel	33,266,881	27,017,115	29,532,924	(6,249,766)
Operation	4,550,500	3,307,957	4,220,783	(1,242,543)
Maintenance	3,856,500	4,179,639	4,055,588	323,139
Total Production	<u>41,673,881</u>	<u>34,504,711</u>	<u>37,809,295</u>	<u>(7,169,170)</u>
Purchased Power				
Backup capacity	-	-	-	-
Backup energy	-	-	-	-
Total Purchased Power	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transmission				
Operation	1,417,200	1,040,937	987,946	(376,263)
Maintenance	354,000	512,079	396,875	158,079
Utilization	-	1,496,041	1,010,647	1,496,041
Total Transmission	<u>1,771,200</u>	<u>3,049,057</u>	<u>2,395,468</u>	<u>1,277,857</u>
General and Administrative				
Salaries and wages	1,061,016	530,016	604,842	(531,000)
Employee benefits	1,517,052	2,120,275	1,816,446	603,223
Outside services	994,879	1,378,640	1,433,122	383,761
Taxes	420,000	495,594	339,716	75,594
Insurance and liability	243,039	184,744	232,216	(58,295)
Meetings and travel	10,632	12,458	18,923	1,826
Office supplies	733,476	1,442,074	1,524,170	708,598
Rents	29,784	27,273	34,043	(2,511)
Miscellaneous	171,620	(463,622)	(470,026)	(635,242)
Total General and Administrative	<u>5,181,498</u>	<u>5,727,452</u>	<u>5,533,452</u>	<u>545,954</u>

## MICHIGAN PUBLIC POWER AGENCY

### DETAILS OF REVENUES AND EXPENSES - BELLE RIVER PROJECT (cont.)

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
<b>OPERATING EXPENSES (cont.)</b>				
Depreciation	\$ 12,900,000	\$ 12,747,104	\$ 12,636,834	\$ (152,896)
Total Operating Expense	<u>61,526,579</u>	<u>56,028,324</u>	<u>58,375,049</u>	<u>(5,498,255)</u>
Operating Income	<u>14,623,812</u>	<u>14,723,472</u>	<u>14,532,580</u>	<u>99,660</u>
<b>OTHER EXPENSES</b>				
Interest cost incurred	9,231,936	9,231,930	10,142,805	(6)
Amortization of financing-related costs	(383,340)	(383,343)	(475,777)	(3)
Total Other Expenses	<u>8,848,596</u>	<u>8,848,587</u>	<u>9,667,028</u>	<u>(9)</u>
<b>OTHER REVENUES</b>				
Investment income	1,170,000	180,822	1,131,846	(989,178)
Net change in fair value of investments	-	(72,549)	(642,520)	(72,549)
Sale of emission allowances	-	3,995	7,683	3,995
Total Other Income	<u>1,170,000</u>	<u>112,268</u>	<u>497,009</u>	<u>(1,057,732)</u>
Income (loss) before deferred revenue	<u>\$ 6,945,216</u>	5,987,153	5,362,561	<u>\$ (958,063)</u>
Deferred revenue to be recognized in future periods		<u>(5,987,153)</u>	<u>(5,362,561)</u>	
<b>CHANGE IN NET ASSETS</b>		<u>\$ -</u>	<u>\$ -</u>	

## MICHIGAN PUBLIC POWER AGENCY

### DETAILS OF REVENUES AND EXPENSES - POWER POOL PROJECT

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
<b>OPERATING REVENUES</b>				
Gross Sales				
Power	\$ 47,153,401	\$ 46,475,403	\$ 37,589,574	\$ (677,998)
Capacity	8,053,016	7,784,810	7,465,249	(268,206)
Transmission	<u>1,439,421</u>	<u>2,289,647</u>	<u>428,839</u>	<u>850,226</u>
Total Operating Revenue	<u>56,645,838</u>	<u>56,549,860</u>	<u>45,483,662</u>	<u>(95,978)</u>
<b>OPERATING EXPENSES</b>				
Purchased Power				
Capacity	8,167,354	7,784,408	7,465,031	(382,946)
Energy	<u>46,181,006</u>	<u>46,030,192</u>	<u>36,171,356</u>	<u>(150,814)</u>
Total Purchased Power	<u>54,348,360</u>	<u>53,814,600</u>	<u>43,636,387</u>	<u>(533,760)</u>
Transmission				
Wheeling	<u>1,830,000</u>	<u>2,327,995</u>	<u>287,672</u>	<u>497,995</u>
General and Administrative				
Salaries and wages	268,936	251,636	305,081	(17,300)
Employee benefits	138,770	129,857	157,940	(8,913)
Outside services	645,836	660,169	613,538	14,333
Insurance and liability	8,235	8,044	6,864	(191)
Meetings and travel	10,116	9,220	14,374	(896)
Office supplies	12,828	8,499	7,910	(4,329)
Rents	32,904	30,358	36,821	(2,546)
Miscellaneous	<u>7,375</u>	<u>4,734</u>	<u>6,342</u>	<u>(2,641)</u>
Total General and Administrative	<u>1,125,000</u>	<u>1,102,517</u>	<u>1,148,870</u>	<u>(22,483)</u>
Depreciation	-	-	5,676	-
Total Operating Expense	<u>57,303,360</u>	<u>57,245,112</u>	<u>45,078,605</u>	<u>(58,248)</u>
Operating (Loss) Income	<u>(657,522)</u>	<u>(695,252)</u>	<u>405,057</u>	<u>(37,730)</u>
<b>OTHER EXPENSES</b>				
Interest costs incurred	<u>62,364</u>	<u>48,490</u>	<u>57,379</u>	<u>(13,874)</u>
<b>OTHER REVENUES</b>				
Investment income	<u>20,000</u>	<u>19,294</u>	<u>23,181</u>	<u>(706)</u>
(Loss) income before deferred revenue	<u>\$ (699,886)</u>	<u>(724,448)</u>	<u>370,859</u>	<u>\$ (24,562)</u>
Deferred revenue to be recognized in future periods		-	(370,859)	
Deferred revenue recognized in current period		<u>724,448</u>	-	
CHANGE IN NET ASSETS		<u>\$ -</u>	<u>\$ -</u>	

## MICHIGAN PUBLIC POWER AGENCY

### DETAILS OF REVENUES AND EXPENSES - COMBUSTION TURBINE NO. 1 PROJECT

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
<b>OPERATING REVENUES</b>				
Gross Sales				
Power	\$ 3,832,105	\$ 4,187,161	\$ 3,679,342	\$ 355,056
Transmission	1,012,687	906,694	656,552	(105,993)
Energy (fuel)	1,425,208	1,211,746	613,338	(213,462)
Total Operating Revenue	<u>6,270,000</u>	<u>6,305,601</u>	<u>4,949,232</u>	<u>35,601</u>
<b>OPERATING EXPENSES</b>				
Production				
Fuel	1,425,208	1,211,746	613,338	(213,462)
Operation	572,736	570,268	567,502	(2,468)
Maintenance	730,000	777,632	209,077	47,632
Total Production	<u>2,727,944</u>	<u>2,559,646</u>	<u>1,389,917</u>	<u>(168,298)</u>
Transmission				
Operation	255,944	456,922	227,840	200,978
Maintenance	-	-	-	-
Total Transmission	<u>255,944</u>	<u>456,922</u>	<u>227,840</u>	<u>200,978</u>
General and Administrative				
Salaries and wages	157,003	159,095	165,485	2,092
Employee benefits	82,960	89,330	82,885	6,370
Outside services	57,451	32,472	74,396	(24,979)
Taxes	-	-	-	-
Insurance and liability	130,969	123,389	119,728	(7,580)
Meetings and travel	11,688	5,863	15,844	(5,825)
Office supplies	3,396	7,319	12,141	3,923
Rents	8,724	9,203	18,521	479
Miscellaneous	2,705	1,254	2,983	(1,451)
Total General and Administrative	<u>454,896</u>	<u>427,925</u>	<u>491,983</u>	<u>(26,971)</u>

## MICHIGAN PUBLIC POWER AGENCY

### DETAILS OF REVENUES AND EXPENSES - COMBUSTION TURBINE NO. 1 PROJECT (cont.)

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
<b>OPERATING EXPENSES (cont.)</b>				
Depreciation	\$ 996,000	\$ 989,838	\$ 995,718	\$ (6,162)
Total Operating Expense	<u>4,434,784</u>	<u>4,434,331</u>	<u>3,105,458</u>	<u>(453)</u>
Operating Income	<u>1,835,216</u>	<u>1,871,270</u>	<u>1,843,774</u>	<u>36,054</u>
<b>OTHER EXPENSES</b>				
Interest cost incurred	1,475,556	1,475,550	1,521,900	(6)
Amortization of financing-related costs	53,352	53,349	55,025	(3)
Total Other Expenses	<u>1,528,908</u>	<u>1,528,899</u>	<u>1,576,925</u>	<u>(9)</u>
<b>OTHER REVENUES</b>				
Investment income	18,000	18,645	23,241	645
Net change in fair value of investments	-	-	-	-
Total Other Income	<u>18,000</u>	<u>18,645</u>	<u>23,241</u>	<u>645</u>
Income before deferred revenue	<u>\$ 324,308</u>	361,016	290,090	<u>\$ 36,708</u>
Deferred revenue to be recognized in future periods		<u>(361,016)</u>	<u>(290,090)</u>	
<b>CHANGE IN NET ASSETS</b>		<u>\$ -</u>	<u>\$ -</u>	

## MICHIGAN PUBLIC POWER AGENCY

### DETAILS OF REVENUES AND EXPENSES - ENERGY SERVICES/DISPATCH PROJECT

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
<b>OPERATING REVENUES</b>				
Gross Sales				
Power	\$ 35,895,696	\$ 33,174,239	\$ 30,158,786	\$ (2,721,457)
Capacity	456,000	265,160	438,975	(190,840)
Transmission	24,000	784,960	16,316	760,960
Total Operating Revenue	<u>36,375,696</u>	<u>34,224,359</u>	<u>30,614,077</u>	<u>(2,151,337)</u>
<b>OPERATING EXPENSES</b>				
Purchased Power				
Energy	35,264,361	32,503,633	29,909,275	(2,760,728)
Capacity	456,000	265,160	438,975	(190,840)
Total Purchased Power	<u>35,720,361</u>	<u>32,768,793</u>	<u>30,348,250</u>	<u>(2,951,568)</u>
Transmission	24,000	784,960	16,316	760,960
General and Administrative				
Salaries and wages	221,220	229,885	109,231	8,665
Employee benefits	126,305	128,773	65,519	2,468
Outside services	116,506	145,524	59,727	29,018
Taxes	-	-	-	-
Insurance and liability	5,294	5,276	1,192	(18)
Meetings and travel	6,504	11,631	4,577	5,127
Office supplies	8,244	7,315	1,698	(929)
Rents	21,156	19,487	6,465	(1,669)
Miscellaneous	5,106	8,043	1,102	2,937
Total General and Administrative	<u>510,335</u>	<u>555,934</u>	<u>249,511</u>	<u>45,599</u>
Depreciation	6,000	9,365	-	3,365
Total Operating Expense	<u>36,260,696</u>	<u>34,119,052</u>	<u>30,614,077</u>	<u>(2,141,644)</u>
Operating Income	<u>115,000</u>	<u>105,307</u>	<u>-</u>	<u>(9,693)</u>
<b>OTHER REVENUES</b>				
Investment income	-	889	732	889
Net change in fair value of investments	-	-	-	-
Total Other Income	<u>-</u>	<u>889</u>	<u>732</u>	<u>889</u>
Income before deferred revenue	<u>\$ 115,000</u>	<u>\$ 106,196</u>	<u>\$ 732</u>	<u>\$ (8,804)</u>
Deferred revenue to be recognized in future periods		<u>(106,196)</u>	<u>(732)</u>	
CHANGE IN NET ASSETS		<u>\$ -</u>	<u>\$ -</u>	

## MICHIGAN PUBLIC POWER AGENCY

### DETAILS OF REVENUES AND EXPENSES - GRANGER PROJECT

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
<b>OPERATING REVENUES</b>				
Gross Sales				
Power	\$ 1,095,381	\$ 717,353	\$ 10,984	\$ (378,028)
Capacity	-	-	-	-
Transmission	-	-	-	-
Total Operating Revenue	1,095,381	717,353	10,984	(378,028)
<b>OPERATING EXPENSES</b>				
Purchased Power				
Capacity	-	-	-	-
Energy	1,060,422	682,544	-	(377,878)
Total Purchased Power	1,060,422	682,544	-	(377,878)
Transmission				
Wheeling	-	-	-	-
General and Administrative				
Salaries and wages	14,460	16,273	6,849	1,813
Employee benefits	8,676	9,764	4,109	1,088
Outside services	7,511	5,156	-	(2,355)
Insurance and liability	504	503	-	(1)
Meetings and travel	624	481	26	(143)
Office supplies	780	497	-	(283)
Rents	2,016	1,846	-	(170)
Miscellaneous	388	289	-	(99)
Total General and Administrative	34,959	34,809	10,984	(150)
Depreciation	-	-	-	-
Total Operating Expense	1,095,381	717,353	10,984	(378,028)
Operating Loss	-	-	-	-
<b>OTHER EXPENSES</b>				
Interest costs incurred	-	-	-	-
<b>OTHER REVENUES</b>				
Investment income	-	466	-	466
Income before deferred revenue	\$ -	466	-	\$ 466
Deferred revenue to be recognized in future periods		(466)	-	
CHANGE IN NET ASSETS		\$ -	\$ -	



## MICHIGAN PUBLIC POWER AGENCY

### DETAILS OF REVENUES AND EXPENSES - TRANSMISSION PROJECT

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
<b>OPERATING REVENUES</b>				
Gross Sales				
Transmission	\$ 1,668,024	\$ 1,630,522	\$ 1,112,575	\$ (37,502)
Total Gross Sales	<u>1,668,024</u>	<u>1,630,522</u>	<u>1,112,575</u>	<u>(37,502)</u>
Less Allowances for Market Sales	<u>2,706,000</u>	<u>2,898,720</u>	<u>2,567,325</u>	<u>192,720</u>
Market Sales	<u>2,706,000</u>	<u>2,898,720</u>	<u>2,567,325</u>	<u>192,720</u>
Total Operating Revenue	<u>1,668,024</u>	<u>1,630,522</u>	<u>1,112,575</u>	<u>(37,502)</u>
<b>OPERATING EXPENSES</b>				
Transmission				
Operation	1,627,068	1,565,269	1,063,321	(61,799)
Maintenance	-	-	-	-
Total Transmission	<u>1,627,068</u>	<u>1,565,269</u>	<u>1,063,321</u>	<u>(61,799)</u>
General and Administrative				
Salaries and wages	21,324	32,710	25,640	11,386
Employee benefits	11,280	18,114	15,381	6,834
Outside services	2,293	9,845	4,595	7,552
Insurance and liability	588	575	352	(13)
Meetings and travel	720	885	595	165
Office supplies	912	634	496	(278)
Rents	2,364	2,154	1,872	(210)
Miscellaneous	1,475	337	323	(1,138)
Total General and Administrative	<u>40,956</u>	<u>65,254</u>	<u>49,254</u>	<u>24,298</u>
Depreciation	<u>22,680</u>	<u>22,681</u>	<u>22,681</u>	<u>1</u>
Total Operating Expense	<u>1,690,704</u>	<u>1,653,204</u>	<u>1,135,256</u>	<u>(37,500)</u>
<b>OTHER REVENUES</b>				
Investment income	2,040	3,085	3,424	1,045
Net change in fair value of investments	-	-	-	-
Total Other Income	<u>2,040</u>	<u>3,085</u>	<u>3,424</u>	<u>1,045</u>
Loss before deferred revenue	<u>\$ (20,640)</u>	<u>(19,597)</u>	<u>(19,257)</u>	<u>\$ 1,043</u>
Deferred revenue recognized in current period		<u>19,597</u>	<u>19,257</u>	
CHANGE IN NET ASSETS		<u>\$ -</u>	<u>\$ -</u>	

## MICHIGAN PUBLIC POWER AGENCY

### DETAILS OF REVENUES AND EXPENSES - GENERAL OFFICE OPERATION

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
<b>OPERATING REVENUES</b>				
Participant membership fees	\$ 507,944	\$ 554,206	\$ 512,206	\$ 46,262
Power	2,851,840	1,952,673	2,548,408	(899,167)
Capacity	-	330,000	330,000	330,000
Charges for Services				
Projects	177,360	192,860	185,476	15,500
Committees	1,456,188	1,967,359	1,023,921	511,171
MMEA	265,476	261,081	263,184	(4,395)
Total Operating Revenue	<u>5,258,808</u>	<u>5,258,179</u>	<u>4,863,195</u>	<u>(629)</u>
<b>OPERATING EXPENSES</b>				
Energy	2,822,204	1,952,673	2,548,408	(869,531)
Capacity	-	330,000	330,000	330,000
Total Purchased Power	<u>2,822,204</u>	<u>2,282,673</u>	<u>2,878,408</u>	<u>(539,531)</u>
General and Administrative				
Salaries and wages	494,556	519,572	452,171	25,016
Employee benefits	296,712	311,743	293,991	15,031
Outside services	1,226,777	1,720,557	776,436	493,780
Insurance and liability	11,428	11,878	7,193	450
Meetings and travel	43,248	26,116	32,621	(17,132)
Office supplies	73,896	94,663	92,593	20,767
Rents	45,672	41,234	38,537	(4,438)
Miscellaneous	154,043	159,003	152,587	4,960
Total General and Administrative	<u>2,346,332</u>	<u>2,884,766</u>	<u>1,846,129</u>	<u>538,434</u>
Depreciation	79,464	80,483	81,020	1,019
Total Operating Expense	<u>5,248,000</u>	<u>5,247,922</u>	<u>4,805,557</u>	<u>(78)</u>
Operating Income	<u>10,808</u>	<u>10,257</u>	<u>57,638</u>	<u>(551)</u>
<b>OTHER REVENUES</b>				
Interest income	-	3,252	3,501	3,252
Prepaid lease income	90,192	90,192	90,192	-
CHANGE IN NET ASSETS	<u>\$ 101,000</u>	<u>\$ 103,701</u>	<u>\$ 151,331</u>	<u>\$ 2,701</u>