CITY COUNCIL/ELECTRICAL ADVISORY COMMITTEE

October 10, 2012 – 6:00 p.m.
Regular Meeting

CITY COUNCIL
Leo Evans, Mayor
Brady Nelson, Mayor Pro-tem
Patricia Baribeau, Council Member
Ronald Beauchamp, Council Member
Walter Baker, Council Member

ADMINISTRATION
James V. O'Toole, City Manager
Robert S. Richards, CMC, City Clerk
Ralph B.K. Peterson, City Attorney
Mike Furmanski, Electrical Superintendent
Michael Dewar, City Controller
Thomas Butz, Power System Engineering

ELECTRICAL ADVISORY COMMITTEE
Tim Wilson, Chairperson
Ann Bissell, Vice Chairperson
Larry Arkens, Committee Member
Glendon Brown, Committee Member
Donald Racicot, Committee Member
John Anthony, Committee Member
Vacant Seat
Vacant Seat

Escanaba City Council Chambers: 410 Ludington Street - Escanaba, MI 49829

Meeting Agenda
Wednesday, October 10, 2012

CALL TO ORDER
ROLL CALL
APPROVAL/ADJUSTMENTS TO THE AGENDA
CONFLICT OF INTEREST DECLARATION

NEW BUSINESS

1. **Update - Electric Department –General Operations.**
Explanation: Electrical Superintendent Mike Furmanski will update the city Council Electrical Advisory Committee and Citizens of Escanaba on the current departmental activities, and the MISO Y1 contract.

2. **Update– Operation and Maintenance of Power Plant – Pro Energy Services, Inc.**
Explanation: Pro Energy Services, Inc. will update the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the operation and maintenance of the power plant.

3. **Update – Pond Sediment Removal.**
Explanation: Administration will provide an update on the sediment removal work related to the settling ponds at the power plant.

4. **Update – Power Plant Purchase Agreement.**
Explanation: Administration will provide an update on the status of power plant purchase agreement between the City of Escanaba and Escanaba Green Energy, LLC.

Agenda -October 10, 2012

GENERAL PUBLIC COMMENT
COMMISSION/STAFF COMMENT AND ANNOUNCEMENTS
ADJOURNMENT

The City of Escanaba will provide all necessary, reasonable aids and services, such as signers for the hearing impaired and audiotapes of printed materials being considered at the meeting to individuals with disabilities at the meeting/hearing upon five days notice to the City of Escanaba. Individuals with disabilities requiring auxiliary aids or services should contact the City of Escanaba by writing or calling City Hall at (906) 786-9402.

Respectfully Submitted,

James V. O'Toole
City Manager

OFFICIAL PROCEEDINGS
CITY COUNCIL
ELECTRICAL ADVISORY COMMITTEE
CITY OF ESCANABA, MICHIGAN
Special Joint Meeting
Wednesday, September 12, 2012

Pursuit to a meeting notice posted September 7, 2012, the meeting was called to order by the Mayor Leo J. Evans at 6:00 p.m. in the Council Chambers of City Hall located at 410 Ludington Street.

Present: Mayor Leo J. Evans, Council Members, Walter A. "Pete" Baker, Patricia A. Baribeau, Ronald J. Beauchamp, and Brady L. Nelson.

Absent: None

Present: Electrical Advisory Committee (EAC) Members: Ann Bissell, Tim Wilson, Glendon Brown, and Don Racicot.

Absent: Electrical Advisory Committee Members: Larry Arkens, Two vacancies

Also Present: City Manager James V. O'Toole, Electric Superintendent Mike Furmanski, City Controller Mike Dewar, Pro Energy Escanaba Power Plant Manager Jack Scott, Power Systems Engineering (PSE) Representatives Tom Butz, members of the public, and Media.

Baker moved, Nelson seconded, **CARRIED UNANIMOUSLY**, to approve the agenda as submitted.

UNFINISHED BUSINESS - None

CONFLICT OF INTEREST - None

PUBLIC HEARING - None

NEW BUSINESS

Update - Electric Department –General Operations.

Electric Superintendent Mike Furmanski updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on the current departmental activities, the MISO Y1 Contract and updated on the plant operations contract.

- Miss Digs for Fiber Cable being laid;
- Line maintenance;
- MISO Y1 Contract;
- Plant Operations Contract.

Update– Operation and Maintenance of Power Plant – Pro Energy Services, Inc.

Pro Energy Services, Inc. updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the operation and maintenance of the power plant.

- Steam Plant did not run in August. Combustion Turbine ran one day. Power Plant been running since September 7th;
- No injuries reported;
- 14,500 tons of coal available.

Update – Power Plant Purchase Agreement.

Manager O'Toole provided an update on the status of the power plant purchase agreement between the City of Escanaba and Escanaba Green Energy, LLC.

- Reviewed history of the Asset Purchase Agreement;
- Energy Green Energy (EGE) had missed all deadlines, and were still securing funding;
- APA required a 5 day notice of termination;
- EGE requested an extension of the APA, and asked for a $200,000 Letter of Credit instead of a bond;
- EGE was still working on a lending agreement, and wished to extend the APA;
- EGE representative John Ranson advised EGE had a commitment from a private investment bank for purchase and renovation costs. The Lender took 30 days to resolve internal problems with management issues. He further advised they have been working internally spending their own escrow funds to insure APA was completed;
- Reviewed possible City Negotiating Committee recommendations regarding the sale of the plant, and various terms of the Escanaba Green Energy's agreement;
- Reviewed estimated City costs from July 11, 2012, and costs to date;
- City Attorney Peterson explained the differences between bonding and a Letter of Credit, which the City preferred;
- Reviewed City Negotiating Committee recommendations.

After discussion, EAC Members Brown moved, Bissell seconded, **CARRIED UNANIMOUSLY,** to recommend the Escanaba City Council approve the recommendations from the City Power Plant Negotiating Committee

Baker moved, Nelson seconded, to approve the existing APA be extended through October 9, 2012, 2:00 p.m. EST to satisfy the escrow requirements of the Power Plant Sale contingent upon:

- EGE pays all City Legal counsel costs from August 31, 2012, forward to the escrow closing date or APA termination date;

- All liquidated damage provisions of the APA were removed from the APA;
- The City agrees to exchange the bond requirement to a Letter of Credit Obligation;
- EGE provides to the City a letter of commitment from their financial institution;
- Contingencies must be met by September 20, 2012 by 2:00 p.m. EST.

Upon a call of the roll, the vote was follows:

Ayes: Baker, Nelson, Baribeau, Beauchamp, Evans
Nays: None

MOTION CARRIED.

Approval – Supervisory Control and Data Acquisition (SCADA) System Upgrades.

Administration sought Council approval to purchase new SCADA system software and a new server from Schneider Electric, LaVergne, TN in an amount not to exceed $22,000. The software and server are needed to record power usage and transfer data to City Meter Data Management Agent (GLU).

Electric Superintendent Mike Furmanski and Electric Distribution Engineer Josh Krajniak provided details of the Electric Department Power Plant SCADA System purchase.

Electrical Advisory Committee Brown moved, Anthony seconded, **CARRIED UNANIMOUSLY,** to recommend the City of Escanaba purchase new SCADA system software and a new server from Schneider Electric, LaVergne, TN in an amount not to exceed $22,000.

NB-4 Nelson moved, Beauchamp seconded, to approve new SCADA system software and a new server from Schneider Electric, LaVergne, TN in an amount not to exceed $22,000.

Upon a call of the Roll, the vote was as follows:

Ayes: Nelson, Beauchamp, Baker, Baribeau, Evans
Nays: None

MOTION CARRIED.

Approval – G-T IA & Pro Energy Insurance Coverage.

Administration sought Council approval to approve a three (3) month extension of the current MARSH/ACE insurance coverage in the amount not to exceed $21,000.

NB-5 Nelson moved, Baribeau seconded, to approve a three (3) month extension of the

current MARSH/ACE insurance coverage in the amount not to exceed $21,000.

Upon a call of the Roll, the vote was as follows:

Ayes: Nelson, Baribeau, Beauchamp, Baker, Evans
Nays: None

MOTION CARRIED.

Approval – Settling Pond Sediment Removal Support.

Administration sought Council approval to retain Geosyntec Consultants of Ann Arbor, MI as the on-site removal support for the sediment removal work related to the settling ponds at the Power Plant in an amount not to exceed $80,000.

NB-6 Nelson moved, Beauchamp seconded, to approve to retain Geosyntec Consultants of Ann Arbor, MI as the on-site removal support for the sediment removal work related to the settling ponds at the Power Plant in an amount not to exceed $80,000.

Upon a call of the Roll, the vote was as follows:

Ayes: Nelson, Beauchamp, Baker, Baribeau, Evans
Nays: None

MOTION CARRIED.

Approval – Power Plant Pond Sediment Removal.

Administration sought Council approval to retain DeNovo Constructors of Chicago, IL for the sediment removal work related to the settling ponds at the Power Plant in an amount not to exceed $200,000.

NB-7 Nelson moved, Baribeau seconded, to retain DeNovo Constructors of Chicago, IL for the sediment removal work related to the settling ponds at the Power Plant in an amount not to exceed $200,000.

Upon a call of the Roll, the vote was as follows:

Ayes: Nelson, Baribeau, Baker, Beauchamp, Evans
Nays: None

MOTION CARRIED.

Discussion – Purchase Power Strategy.

PSE Consultant Tom Butz provided an update on proposed pricing of extending the Nextera Transaction to 2017. Discussions also included other purchase power options for the 20 year horizon, and ATC changes. It was also suggested GLE be brought to the ACT Table regarding ATC changes, and timeline of all changes to electric power in the Upper Peninsula. It was also suggested the need to understand the capacity market. No action was required at this time.

GENERAL PUBLIC COMMENT - None

COUNCIL/COMMITTEE, STAFF REPORTS

- UPPCO settlement costs would be brought to Council when finalized.

ADJOURNMENT

Hearing no further public comment, or further reports from the Electrical Advisory Committee or Council, the meeting adjourned at 7:30 p.m.

Respectfully submitted,

Robert S. Richards, CMC
City Clerk

Approved: _____
Leo J. Evans, Mayor

Matthew R. Dorsett
Attorney
Direct Dial: 317-249-5299
E-mail: mdorsett@misoenergy.org

October 5, 2012

VIA ELECTRONIC FILING

Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First St., N.E.
Washington, D.C. 20426

Re: Allocation of SSR Costs Associated with the Escanaba SSR Units MISO Rate Schedule No. 43; Docket No. ER13-____-000

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d and Part 35 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations, 18 C.F.R. § 35, *et. seq.*, the Midwest Independent Transmission System Operator, Inc. ("MISO") respectfully submits the enclosed Allocation of SSR Costs Associated with the Escanaba SSR Units, as Rate Schedule 43 under the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff ("Tariff").[1]

I. BACKGROUND

The System Support Resources ("SSR") Tariff provisions permit MISO to negotiate compensation for selected Generation Resources where a Market Participant desires to retire or mothball the facility but MISO determines that it is needed to maintain system reliability.[2] Market Participants must submit an affidavit at least 26 weeks in advance of any plan to retire, place into extended reserve shutdown, or disconnect a Generation Resource or a Synchronous Condenser Unit.[3] Based upon information submitted by the Market Participant and MISO's knowledge of grid conditions, MISO will determine if the facility should be designated as an

---

1 On September 21, 2012, the Commission conditionally approved amendments to the SSR provisions in the Tariff to become effective on September 24, 2012, subject to compliance filings. *See Midwest Indep. Transmission Sys. Operator, Inc.,* 140 FERC ¶ 61,237, at P 1 (2012) ("SSR Order").

2 *See generally* SSR Order at PP 2-4 (discussing the approval of the SSR provisions).

3 Capitalized terms not otherwise defined herein have the meanings ascribed thereto in Section 1 of the Tariff.

SSR Unit. Upon such designation, MISO will enter into agreements with Market Participants that have SSR Units to allow for recovery of certain going-forward costs, offset by expected payments for resource adequacy and net revenues from energy market transactions.

SSR costs generally will be assigned on a *pro rata* basis to the affected Load Serving Entities ("LSEs") which require the operation of the SSR Unit for reliability purposes, except that any SSR Unit costs allocated to the footprint of the American Transmission Company ("ATC") shall be allocated to all LSEs within the footprint of ATC on a *pro rata* basis.[4]

The City of Escanaba, Michigan ("Escanaba") is located within the ATC footprint, 120 miles north and east of Green Bay, Wisconsin on the shores of Lake Michigan. Escanaba is responsible for providing electricity to the residents of Escanaba, Michigan. On December 19, 2011, Escanaba submitted a completed Attachment Y form to MISO to change the status for Escanaba units 1 & 2 to mothball status for the period between June 15, 2012 and June 14, 2015, in accordance with Section 38.2.7 of the Tariff. Escanaba requested that the subject units be permitted to shut down for a 36 month period commencing on June 15, 2012.

MISO completed its analysis of the Attachment Y notice and Mr. Jeffrey R. Webb, MISO's Senior Director of Expansion Planning, replied to Escanaba on May 25, 2012. MISO concluded that the proposed mothballing of the Escanaba units 1 & 2 prior to the completion of transmission upgrades in the area would result in violations of applicable reliability standards. As a result, MISO designated Escanaba units 1 & 2 as SSR Units until such time as appropriate alternatives can be implemented to mitigate reliability issues. MISO began working with Escanaba and the MISO Independent Market Monitor to negotiate and develop MISO's first-ever SSR Agreement.

II. Allocation of SSR Costs Associated with the Escanaba SSR Unit

Contemporaneously with the subject filing, MISO has submitted an SSR Agreement to the Commission as a just and reasonable agreement to ensure the reliability of the MISO Region.[5] Consistent with the SSR Order,[6] MISO is herewith submitting a separate Rate Schedule 43. The Tariff requires that the costs associated with the subject SSR Agreement will be allocated to all LSEs within the footprint of the American Transmission Company on a *pro rata* basis, consistent with enclosed Rate Schedule 43. The allocation is consistent with revised Section 38.2.7.j of the Tariff (which the Commission conditionally approved in

---

4 *See* Section 38.2.7.j of the Tariff.

5 MISO respectfully requests that the subject filing and the related SSR Agreement proceeding be consolidated, consistent with the Commission's practice to consolidate matters where there are common issues of law or fact and consolidation will ultimately result in greater administrative efficiency. *See e.g.*, *Sw. Power Pool, Inc.*, 125 FERC ¶ 61,001, at P 26 (2008); *Startrans IO L.L.C.*, 122 FERC ¶ 61,306, at P 64 (2008); *PP&L Resources, Inc.*, 90 FERC ¶ 61,203, at 61,653 (2000).

6 SSR Order at P 155.

Docket No. ER12-2302)[7] to allocate costs in the American Transmission Company footprint to LSEs, rather than to Market Participants, on a *pro rata* basis.

III. DOCUMENTS SUBMITTED WITH THIS FILING

In addition to this transmittal letter, MISO is including at Tab A, Rate Schedule 43, Allocation of SSR Costs Associated with the Escanaba SSR Units.

IV. EFFECTIVE DATE

As discussed in the contemporaneously filed transmittal letter for the SSR Agreement, MISO requests a June 15, 2012 effective date for Rate Schedule 43 and for the SSR Agreement. Section 38.2.7 of the MISO Tariff requires a generator to provide at least 26 weeks prior notice before it decommissions, places into extended reserve shutdown, or disconnects its resource so that MISO may evaluate whether SSR Unit status is appropriate for that resource. Escanaba complied with that deadline and submitted its Attachment Y notification on December 19, 2011; Escanaba requested an effective date of June 15, 2012. MISO completed its reliability analysis and deemed the Units required for reliability during that time and notified Escanaba on May 25, 2012 that the subject facilities qualified to become SSR Units. As required by the Tariff, MISO and Escanaba entered into good faith negotiations over the proper compensation to include in the SSR Agreement. The time to develop and review that rate, and to provide the IMM a chance to review and comment on the rate, led to the delay in filing the SSR Agreement from June 15, 2012 until the present filing date. During that time, Escanaba maintained the availability of the subject SSR Units (*i.e.*, the Units were available to maintain system reliability) pursuant to MISO's request, and Escanaba incurred costs that would otherwise be covered by the rate contained in the SSR Agreement.

MISO respectfully requests that the June 15, 2012 effective date be granted either through waiver of the prior notice rule or by treating Rate Schedule 43 as a late-filed service agreement.[8] Very good cause exists to grant the waiver of the prior notice rule. The subject SSR Agreement is the first SSR Agreement that MISO has executed. The delay in filing Rate Schedule 43 was a consequence, in part, of the fact that negotiation of this first SSR Agreement could not be completed by the requested shutdown date, but the Tariff required the SSR Units to stay available. Notwithstanding this delay, Escanaba has maintained its SSR Units and ensured that they were available to maintain reliability consistent with MISO's request.

The waiver is also required to permit MISO to comply with its Tariff and Commission precedent on the SSR program. Section 38.2.7 of the Tariff provides that SSR Units are due

---

7 SSR Order at P 153.

8 The City of Escanaba is a non-jurisdictional seller, so it is not clear that the prior notice rule applies to its provision of SSR service to MISO. MISO is not asking the Commission to rule on this question, but raises it only insofar as it counsels toward granting the requested effective date.

"equitable compensation" in exchange for maintaining availability past its required shut-down date, in this case, June 15, 2012. Moreover, in approving the SSR program, the Commission clearly explained that that SSR Units should be "fully compensated" and that "nothing in the SSR program would require a generator to absorb any uncompensated going-forward costs."[9] If the June 15, 2012 effective date is not granted for the SSR Agreement and Rate Schedule 43, then Escanaba will have provided SSR service on an uncompensated basis for roughly three and a half months while the required Tariff process took its course. This would be an inequitable outcome, and one that would seem to violate both the Tariff and Commission precedent.

To the extent that the Commission believes that waiver of prior notice is not appropriate, MISO respectfully requests that the Commission treat the SSR Agreement as a late-filed service agreement, limiting Escanaba's revenue recovery to variable operations and maintenance costs from June 15, 2012 to September 5, 2012, the date on which Rate Schedule 43 and the SSR service agreement would be effective under the 30-day rule for service agreements, so that Escanaba would not be required to provide this reliability service at a loss.[10]

In the alternative, to the extent the Commission does not grant the requested June 15, 2012 effective date, MISO requests an effective date of September 5, 2012, consistent with the Commission's rule that service agreements must be filed within 30 days of commencing service.[11] The SSR Agreement is a *pro forma* agreement included in the Tariff, the executed versions of which are therefore service agreements.

For the foregoing reasons, MISO respectfully requests that the Commission waive its sixty (60) day notice requirement, as specified in Section 35.3(a) of the Commission's regulations, 18 C.F.R. § 35.3(a), and make Rate Schedule 43 effective as of June 15, 2012. To the extent that the Commission determines that any requirement of 18 C.F.R. § 35 apply that

---

9 *See also Midwest Indep. Transmission Sys. Operator, Inc.,* 109 FERC ¶ 61,157, at P 293 (2004) ("Finally, we emphasize that all SSR units should be fully compensated for any costs incurred because of their extended service. For example, nothing in the SSR program would require a generator to absorb any uncompensated going-forward costs.").

10 Under the Commission's policy for late-filed agreements, sellers are still permitted to recover their variable Operating and Maintenance costs so that they are not required to operate at a loss. *See Int'l Transmission Co.,* 140 FERC ¶ 61,151, at P 26 (2012) ("As noted by ITC, the Commission's time-value refund policy for late-filed agreements does not require the utility to operate at a loss; therefore, if the utility is only recovering its out-of-pocket costs incurred to provide the service, there is no requirement to make time-value refunds.").

11 Under the Commission's regulations, public utilities may adopt standard form service agreements which are included as part of the utility's tariff on file with the Commission. 18 C.F.R. § 35.10a(a). The Commission's regulations further provide that service agreements (defined at 18 C.F.R. § 35.2 as "an agreement that authorizes a customer to take electric service under the terms of a tariff") need only be filed within thirty days after service has commenced. 18 C.F.R. § 35.3(a)(2).

have not been specifically addressed herein, MISO respectfully requests waiver of such requirements.

V. NOTICE AND SERVICE

MISO has served a copy of this filing electronically, including attachments, upon all Tariff Customers under the Open Access Transmission, Energy and Operating Reserve Markets Tariff, MISO Members, Member representatives of Transmission Owners and Non-Transmission Owners, MISO's Advisory Committee participants, as well as all state commissions within the Region.

In addition, the filing has been posted electronically on MISO's website at https://www.misoenergy.org/Library/FERCFilingsOrders/Pages/FERCFilings.aspx for other interested parties in this matter.

VI. COMMUNICATIONS

Communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list established by the Secretary in this proceeding:

Matthew R. Dorsett *
Midwest Independent Transmission
System Operator, Inc.
P.O. Box 4202
Carmel, Indiana 46082-4202
Telephone: (317) 249-5400
Fax: (317) 249-5912
mdorsett@misoenergy.org

Richard A. Drom*
Christian McMurray
Andrews Kurth LLP
1350 I Street, N.W., Suite 1100
Washington, D.C. 20005
Telephone: (202) 662-2701
Fax: (202) 974-9527
rdrom@andrewskurth.com
cmcmurray@andrewskurth.com

* Persons authorized to receive service

VII. CONCLUSION

For all of the foregoing reasons, MISO respectfully requests that the Commission accept the proposed Rate Schedule 43 without hearing, grant the proposed effective date of June 15, 2012, and grant waiver of any Commission regulations not addressed herein that the Commission may deem applicable to this filing.

Sincerely,
/s/ Matthew R. Dorsett

Matthew R. Dorsett
Attorney
Midwest Independent Transmission System Operator, Inc.
720 City Center Drive
Carmel, Indiana 46032
Telephone: (317) 249-5400
mdorsett@misoenergy.org

Richard A. Drom
Christian McMurray
Andrews Kurth LLP
1350 I Street, N.W.
Suite 1100
Washington, D.C. 20005
Telephone: (202) 662-2701
Fax: (202) 662-2739
rdrom@andrewskurth.com
cmcmurray@andrewskurth.com

Certificate of Service

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Carmel, Indiana, this 5th day of October, 2012.

/s/ Christi Larson
Christi Larson
Paralegal
MISO

Tab A

SCHEDULE 43 Allocation of SSR Costs Associated with the Escanaba SSR Uni Version: 0.0.0

Effective: 6/15/2012

SCHEDULE 43
Allocation of SSR Costs Associated with the Escanaba SSR Units

In accordance with Exhibit 2 of the System Support Resource ("SSR") Agreement filed by the Midwest ISO for the Escanaba SSR Units in Docket No. ER13-___-000, the Monthly SSR Payment shall be charged to the following Load Serving Entities during each month (or prorated portion of a month) that the Escanaba SSR Units are subject to being dispatched by MISO for system reliability. In addition, the following LSEs shall be *pro rata* credited based upon the % of Allocation of Costs (whenever the Escanaba SSR Units operate for system reliability at hourly rates in excess of $71.57) by the difference between the LMP and $71.57 or to apportion Operating Reserve revenues or revenues from Planning Resource designation. The LSEs shall be *pro rata* debited based upon the % of Allocation of Costs (whenever the Escanaba SSR Units operate for system reliability at hourly rates of less than $71.57) by the difference between $71.57 and the LMP.

Name of LSE	Full Name	NERC ID	% of Allocation of Costs	Monthly Cost
Allocation				
Madison Gas and Electric Company	MADISON GAS AND ELECTRIC COMPANY	MGEP	5.03930300%	$15,581.00
Alliant*	ALLIANT ENERGY CORPORATE SERVICES, INC.	ALTM	0.73503300%	2,272.65
BPMA	BADGER POWER MARKETING AUTHORITY	BPMA	0.56952600%	1,760.92
Alliant**	ALLIANT ENERGY CORPORATE SERVICES, INC.	ALTM	0.15311200%	473.41
Dairyland	DAIRYLAND POWER COOPERATIVE	DPCM	0.36924900%	1,141.68
CEC	CLOVERLAND ELECTRIC COOPERATIVE	CLOV	1.19737900%	3,702.18
Escanaba	CITY OF ESCANABA, MICHIGAN	ELEC	0.23581800%	729.13
LWEC	LANSE WARDEN ELECTRIC COMPANY LLC	LWEC	0.02190900%	67.74
Kiel	KIEL ELECTRIC UTILITY	000A	0.12604200%	389.71
MPU	MANITOWOC PUBLIC UTILITIES	MPUG	0.83907300%	2,594.33
Wisconsin Public Service Corporation***	WISCONSIN PUBLIC SERVICE CORPORATION	WPSM	0.03744700%	115.78
Alliant****	ALLIANT ENERGY CORPORATE SERVICES, INC.	ALTM	0.62397200%	1,929.26
WI Rapids	WISCONSIN RAPIDS WATER AND LIGHTING	WWLC	0.42535600%	1,315.16
Alliant	ALLIANT ENERGY CORPORATE SERVICES, INC.	ALTM	17.73499800%	54,834.84

WPPI in AE	WPPI ENERGY	WPPI	2.84592700%	8,799.32
WPPI in WE	WPPI ENERGY	WPPI	3.83068900%	11,844.11
WPPI in WPS	WPPI ENERGY	WPPI	0.58903600%	1,821.24
WPPI in UPPCO	WPPI ENERGY	WPPI	0.17522200%	541.77
Wisconsin Public Service Corp.	WISCONSIN PUBLIC SERVICE CORPORATION	WPSM	18.75896800%	58,000.85
Wisconsin Energy Corp.	WISCONSIN ELECTRIC POWER COMPANY	WEPM	44.46269800%	137,474.22
Upper Peninsula Power Co.	UPPER PENINSULA POWER COMPANY	UPP	1.22924300%	3,800.70
			100.00000000%	$309,190.00

* Alliant Energy Corporate Services, Inc. (ALTM) on behalf of ACEC

** Alliant Energy Corporate Services, Inc. (ALTM) on behalf of CWEC

*** Wisconsin Public Service Corporation (WPSM) on behalf of ONT-WPS

**** Alliant Energy Corporate Services, Inc. (ALTM) on behalf of RCEC

Matthew R. Dorsett
Attorney
Direct Dial: 317-249-5299
E-mail: mdorsett@misoenergy.org

October 5, 2012

VIA ELECTRONIC FILING

Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First St., N.E.
Washington, D.C. 20426

**Re: Midwest Independent Transmission System Operator, Inc.
System Support Resources Agreement With The City of Escanaba;
Docket No. ER13 -____-000**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d and Part 35 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations, 18 C.F.R. § 35, *et. seq.*, the Midwest Independent Transmission System Operator, Inc. ("MISO") respectfully submits to FERC the following System Support Resources ("SSR") Agreement by and between The City of Escanaba ("Escanaba") and MISO.[1] The SSR Agreement submitted herewith generally conforms to the *pro forma* agreement in Attachment Y-1 of MISO's Open Access Transmission, Energy and Operating Reserve Markets Tariff ("Tariff").[2] MISO has designated the SSR Agreement as Original Service Agreement No. 6500 under MISO's FERC Electric Tariff, Fifth Revised Vol. No. 1.

I. BACKGROUND

The SSR Tariff provisions permit MISO to negotiate compensation for selected Generation Resources where a Market Participant desires to retire or mothball the facility but MISO determines that it is needed to maintain system reliability.[3] Market Participants must

---

1 Although MISO is filing the subject SSR Agreement with the Commission pursuant to Tariff requirements, Escanaba is a non-jurisdictional seller and Escanaba does not waive that status despite its support for this filing.

2 On September 21, 2012, the Commission conditionally approved amendments to the SSR provisions in the Tariff to become effective on September 24, 2012, subject to compliance filings. *See Midwest Indep. Transmission Sys. Operator, Inc.,* 140 FERC ¶ 61,237, at P 1 (2012) ("SSR Order").

3 *See generally* SSR Order at PP 2-4 (discussing the approval of the SSR provisions).

submit an affidavit at least 26 weeks in advance of any plan to retire, place into extended reserve shutdown, or disconnect a Generation Resource or a Synchronous Condenser Unit.[4] Based upon information submitted by the Market Participant and MISO's knowledge of grid conditions, MISO will determine if the facility should be designated as an SSR Unit. Upon such designation, MISO will enter into agreements with Market Participants that have SSR Units to allow for recovery of certain going-forward costs, offset by expected payments for resource adequacy and net revenues from energy market transactions. SSR costs generally will be assigned on a *pro rata* basis to the affected Load Serving Entities ("LSEs") which require the operation of the SSR Unit for reliability purposes, except that any SSR Unit costs allocated to the footprint of the American Transmission Company ("ATC") shall be allocated to all LSEs within the footprint of ATC on a *pro rata* basis.[5]

The City of Escanaba, Michigan is located within the ATC footprint, 120 miles north and east of Green Bay, Wisconsin on the shores of Lake Michigan. Escanaba is responsible for providing electricity to the residents of Escanaba, Michigan.

On December 19, 2011, Escanaba submitted a completed Attachment Y form to MISO to change the status for Escanaba units 1 & 2 to mothball status for the period between June 15, 2012 and June 14, 2015, in accordance with Section 38.2.7 of the Tariff. Escanaba requested that the subject units be permitted to shut down for a 36 month period commencing on June 15, 2012.

MISO completed its analysis of the Attachment Y notice, consistent with the confidentiality requirements of the then-current Tariff, and Mr. Jeffrey R. Webb, MISO's Senior Director of Expansion Planning, replied to Escanaba on May 25, 2012. MISO concluded that the proposed mothballing of the Escanaba units 1 & 2 prior to the completion of transmission upgrades in the area would result in violations of applicable reliability standards. As a result, MISO designated Escanaba units 1 & 2 as SSR Units until such time as appropriate alternatives can be implemented to mitigate reliability issues. MISO began working with Escanaba and the MISO Independent Market Monitor ("IMM") to negotiate and develop MISO's first-ever SSR Agreement.

On July 26, 2012, Escanaba Green Energy ("EGE") made a Section 203 filing in FERC Docket No. EC12-126 seeking Commission approval to transfer ownership of the Escanaba power plants to EGE pursuant to an executed a Purchase and Sale Agreement. That application also contained a request to accept transfer of the SSR Agreement filed herein. The Commission approved that transaction on September 24, 2012.[6] Having received the requisite FERC approval, Escanaba and EGE anticipate closing that transaction in the weeks following the instant filing. At closing, the SSR Agreement will be assigned to EGE to ensure that the rights

---

4 Capitalized terms not otherwise defined herein have the meanings ascribed thereto in Section 1 of the Tariff.

5 *See* Section 38.2.7.j of the Tariff.

6 *See Escanaba Green Energy, LLC,* 140 FERC ¶ 62,217 (2012).

and responsibilities under the SSR Agreement follow the SSR Units. If and when the sale to EGE closes, the Commission will be notified via a consummation notice in Docket No. EC12-126.

II. Key Elements of the SSR Agreement

MISO submits the enclosed SSR Agreement to the Commission as a just and reasonable agreement to ensure the reliability of the MISO Region. The Commission's September 21, 2012 order required, among other things, that MISO: (1) submit an SSR Agreement for Commission review[7]; (2) provide a description of alternatives that were evaluated; (3) discuss the estimated earliest termination date for the SSR Agreement; (4) explain how MISO would ensure grid reliability once the unit retires. As discussed herein, the SSR Agreement maintains the reliability of the system and, as the Tariff requires, provides for equitable compensation for the SSR Units' continued availability.

A. Review of Feasible Alternatives

MISO notes that the instant SSR Agreement is being filed pursuant to Section 38.2.7, and Attachment Y and Y-1 of the Tariff, which, among other things, require MISO to "assess feasible alternatives" to an SSR Agreement.[8] MISO has assessed available feasible alternatives to entering into this SSR Agreement, as described in more detail in the enclosed Exhibit C, Report of Need and Alternatives.[9] Briefly, a planned transmission upgrade that would be a feasible alternative to the SSR Agreement was approved by the MISO Board of Directors as a part of the MTEP 12 regional plan.[10] Although this upgrade was planned for other purposes and was not triggered by the Attachment Y notification, this planned upgrade will resolve the need for the SSR Units, as well as address other system reliability needs. This transmission solution is the Holmes-18th Road 138 kV line, which is a portion of the recently approved P3679 Green Bay - Morgan project. The expected in-service date for this transmission upgrade project completion is December 2016. This transmission upgrade will resolve the need for the subject units to be designated SSR Units after its completion. Until alternative solutions are completed, however, Generation Resources will be required for system reliability support during periods of maintenance of transmission facilities in the area.

As noted above, the Commission has approved a transfer of the SSR Units and the SSR Agreement to new owners, whose plans include converting the units from using coal to using biomass as a fuel source. Such a conversion will alleviate the need for SSR treatment. Until such conversion has been completed, the SSR Agreement is necessary to: (1) memorialize the SSR service Escanaba has provided to date and will continue to provide; and (2) ensure that the SSR Units remain available under new ownership for the term of the SSR Agreement.

---

7 SSR Order at P 10.
8 Section 38.2.7.b.
9 SSR Order at P 80.
10 *See* Attachment FF to Tariff.

Section 38.2.7.a of the Tariff requires MISO to treat Escanaba's request for SSR status as Confidential Information. MISO was unable to discuss these alternative solutions in its MTEP stakeholder process due to the requirement in Section 38.2.7 of the Tariff which provides that an Attachment Y form is Confidential Information until the SSR Agreement is filed with the Commission. For this reason, MISO stakeholders have not yet been engaged in the evaluation of other possible alternatives to the SSR Agreement. Now that the SSR Agreement has been filed with the Commission, MISO will discuss additional alternatives to the subject SSR Agreement with its stakeholders through the on-going MTEP process that may result in a shorter required duration of the SSR Agreement.

B. Likely Timing for SSR Agreement Termination

The SSR Order requires that MISO report on its estimate of how long the SSR Agreement will need to remain in effect.[11] The Report that is enclosed as Exhibit C details the anticipated events that would lead to the termination of the SSR Agreement.

Moreover, pursuant to Section 38.2.7.i of the Tariff, MISO shall annually review the SSR Units and grid characteristics to determine whether the SSR Units are qualified to remain asSSR Units. Additionally, under both the Tariff and enclosed SSR Agreement, MISO retains the right to terminate this SSR Agreement prior to the end of the Term by giving ninety (90) days advance written notice to the Participant in the SSR Agreement. MISO currently believes that the subject agreement may be required for at least 12 months. The proposed initial term of the SSR Agreement will be 12 months.

Section 3.F of the proposed SSR Agreement, however, provides MISO the ability to terminate the SSR Agreement when the SSR Units are taken out of service to convert the facilities to a biomass facility, because the subject SSR Agreement will not be necessary once the facilities are converted to operate as a biomass Generation Resource. MISO will work with the new owner of the SSR Units so that the facilities can be converted to a biomass facility[12] consistent with MISO's Generator Planned Outage scheduling system.

C. How MISO Will Maintain System Reliability After SSR Agreement Terminates

As described in Exhibit C, the proposed transmission upgrades will enable MISO to maintain system reliability when the SSR Agreement terminates.[13] Escanaba has advised MISO

---

[11] SSR Order at PP 134-135.

[12] On July 26, 2012, EGE made a Section 205 filing in Docket No. ER12-2307 for market-based rate recovery for the subject facilities. *See* Docket Nos. ER12-2307-000 and ER12-2307-001, Unpublished Letter Order issued September 18, 2012 accepted the proposed market-based tariff for filing to make sales of energy, capacity and ancillary services at market-based rates.

[13] SSR Order at PP 61-64.

that EGE plans to convert the SSR Units from burning coal to burning biomass. Once this conversion is complete, the SSR Agreement will no longer be needed and MISO will terminate the SSR Agreement[14] because the SSR Units will be able to economically provide Energy without an SSR Agreement.

D. Proposed Modifications to the Attachment Y-1 Form Agreement

As discussed herein, there are several "novel legal issues or other unique factors" that justify departures from the Attachment Y-1 *pro forma* SSR agreement[15] and these departures are consistent with Commission precedent.[16]

Specifically, MISO is proposing the following modifications to the form agreement found in the MISO Tariff, including the following:

(1) The term "Midwest ISO" is replaced with "MISO" throughout the SSR Agreement to reflect the current abbreviation for this organization.

(2) Section 3.D is clarified to state that delivery of documents under the SSR Agreement may be made if sent during regular business hours by facsimile or electronic communication, to reflect current technology.

(3) A new provision is added to Section 3.E to account for Escanaba's planned transfer of the SSR Units to a new owner, consistent with a recent Commission order.[17] This new provision ensures that the new owner will assume and be bound by Escanaba's obligations under the SSR Agreement to operate the SSR Units to maintain system reliability.

---

[14] *See* Section 3.F of SSR Agreement.

[15] *See* New York Indep. Sys. Operator, 139 FERC ¶ 61,180, at P 9 (2012); *see also Pacific Gas and Electric Co.*, 128 FERC ¶ 61,175 at P 15 *(2009)* ("The Commission recognizes that allowing non-conforming agreements may result in interconnection customers being treated differently, but nonetheless finds it to be necessary in certain situations."); *see, e.g.*, *Midwest Indep. Transmission Sys. Operator, Inc.*, 131 FERC ¶ 61,199, at P 62 (2010) (accepting non-conforming interconnection agreement is necessary to allow entities to retain the distinct status afforded to them by Minnesota law); *Florida Power & Light Co.*, 118 FERC ¶ 61,176 (2007) (permitting departure from *pro forma* indemnification provision in LGIA); *Midwest Indep. Transmission Sys. Operator, Inc.*, 112 FERC ¶ 61,270 (2005) (granting departures from *pro forma* LGIA "because of the ownership structure of the wind generating facilities.").

[16] *See Southwest Power Pool,* 128 FERC ¶ 61,018, at P 23 (2009) (accepting agreement permitting release of a transmission owner's obligation to construct a transmission project awarded to it in the SPP planning process because SPP had determined through "due diligence" that the assignee transmission owner was "qualified to construct and own the Projects....").

[17] *See Escanaba Green Energy, LLC,* 140 FERC ¶ 62,217 (2012).

(4) A new provision is added to Section 3.F to clarify MISO's right to terminate the SSR Agreement upon commencement of a planned outage for the purpose of converting one or more of the SSR Units to an alternate fuel source.[18] This new provision will ensure that MISO has the discretion to terminate the SSR Agreement when it will no longer be required to maintain system reliability.

(5) A new provision is added in Section 7.A clarifying that the SSR Units will be subject to the Module E-1 capacity testing requirements that became effective on October 1, 2012, which are not included in the *pro forma* SSR Agreement.[19]

(6) The Operations language in Section 8 is modified to be consistent with other Tariff provisions, including MISO's Generator Planned Outage procedures.[20] Section 8 contains certain changes necessary to align the SSR Agreement with the current structure of the MISO markets. Specifically, Section 8.C clarifies that MISO shall notify Escanaba of the hours and levels, if any, that the SSR Units are to operate through day-ahead commitment and real-time dispatch for system reliability. Section 8.C further clarifies that the set point in the real-time dispatch shall be considered the "Delivery Plan" for the purposes of the SSR Agreement. These changes ensure that MISO and Escanaba have a common understanding of how the SSR Units are to be made available to MISO for system reliability and how they may be otherwise operated. Section 8.C also clarifies that all Offers from the SSR Units during the term of the SSR Agreement shall be cost-based.

(7) The Payment provisions in Section 9 are modified to reflect MISO Settlement provisions, as described in detail in Section F below.[21]

(8) Section 9.G is amended to address potential compensation for unanticipated repairs. This section provides an equitable mechanism for Escanaba to receive cost recovery for unanticipated repairs required to maintain system reliability. Importantly, it also provides MISO the ability to terminate the SSR Agreement rather than fund the unanticipated repairs, and

---

[18] MISO and Escanaba negotiated this change because MISO understands that the SSR Units are planned to be converted from coal to an alternate energy source. MISO understands that such conversion will make the SSR Units economically viable, which would eliminate the need for an SSR Agreement to ensure system reliability.

[19] On June 11, 2012, the Commission conditionally approved MISO's new Module E-1 Tariff language, to become effective on October 1, 2012. *See Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,199 (2012).

[20] Section 38.2.5.g of MISO's Tariff requires that all Generation Resources coordinate all Generator Planned Outages with MISO, which occur through MISO's Generator Planned Outage procedures.

[21] When Attachment Y-1 was originally drafted, MISO did not include the type of cost recovery provisions that are included in Exhibit 2 and that are consistent with the SSR Order. *See* SSR Order at P 140.

provides for a Section 205 filing before any such costs could be incurred, except in the case of certain emergency repairs. These provisions protect MISO and LSEs by providing: (a) MISO with a level of control over the repairs (*i.e.*, whether or not to incur the additional costs); and (b) requiring a Section 205 filing before unanticipated repair costs can be allocated, at which point the Commission is involved regarding the necessity of the unanticipated repairs.[22]

(9) Section 9.H is amended to reference the new Rate Schedule 43 which addresses recovery of the SSR Unit costs from LSEs, consistent with the SSR Order, and which is being filed contemporaneously with this filing.[23]

(10) Section 13.B(1)(b) and Section 13.B(2) are amended to expressly address assignment of the SSR Agreement to the new owner if the sale of the SSR Units takes place. This provision maintains system reliability because it ensures that the rights and obligations under the SSR Agreement will follow the SSR Units, if the SSR Units are transferred. These new provisions also provide, among other things that a condition of Escanaba's release from its obligations is that MISO, Escanaba, and the new owner enter into a written agreement pursuant to which the new owner assumes and agrees to be bound by all of Escanaba's obligations under the SSR Agreement.

Thus, the proposed modifications from the *pro forma* Attachment Y-1 are generally consistent with the enhancements that MISO proposed and that were conditionally approved by the Commission in the SSR Order, and are also just and reasonable given the unique circumstances involving the subject SSR Units.

E. Proposed Effective Date of SSR Agreement

MISO requests a June 15, 2012 effective date for the SSR Agreement.[24] Section 38.2.7 of the MISO Tariff requires a generator to provide at least 26 weeks prior notice before it decommissions, places into extended reserve shutdown, or disconnects its resource so that MISO may evaluate whether SSR Unit status is appropriate for that resource. Escanaba complied with that deadline and submitted its Attachment Y notification on December 19, 2011; Escanaba requested an effective date of June 15, 2012. MISO completed its reliability analysis and deemed the Units required for reliability during that time and notified Escanaba on May 25, 2012 that the subject facilities qualified to become SSR Units. As required by the Tariff, MISO and Escanaba entered into good faith negotiations over the proper compensation to include in the SSR Agreement. The time to develop and review that rate, and to provide the IMM a chance to review and comment on the rate, led to the delay in filing the SSR Agreement from June 15, 2012 until the present filing date. During that time, Escanaba maintained the availability of the subject SSR Units (*i.e.* the Units were available to maintain system reliability) pursuant to

---

[22] *See* SSR Order at P 139.

[23] *See* SSR Order at P 155.

[24] Contemporaneous with this filing, MISO is submitting an implementing Rate Schedule 43 to allow recovery of the SSR costs, which also requests an effective date of June 15, 2012.

MISO's request, and Escanaba incurred costs that would otherwise be covered by the rate contained in the SSR Agreement.

MISO respectfully requests that the June 15, 2012 effective date be granted either through waiver of the prior notice rule or by treating the SSR Agreement as a late-filed service agreement.[25] Very good cause exists to grant the waiver of the prior notice rule. This is the first SSR Agreement that MISO has executed. The delay in filing was a consequence, in part, of the fact that negotiation of this first SSR Agreement could not be completed by the requested shutdown date, but the Tariff required the SSR Units to stay available. Notwithstanding this delay, Escanaba has maintained its SSR Units and ensured that they were available to maintain reliability consistent with MISO's request.[26]

The waiver is also required to permit MISO to comply with its Tariff and Commission precedent on the SSR program. Section 38.2.7 of the Tariff provides that SSR Units are due "equitable compensation" in exchange for maintaining availability past its required shut-down date, in this case, June 15, 2012. Moreover, in approving the SSR program, the Commission clearly explained that that SSR Units should be "fully compensated" and that "nothing in the SSR program would require a generator to absorb any uncompensated going-forward costs."[27] If the June 15, 2012 effective date is not granted, then Escanaba will have provided SSR service on an uncompensated basis for roughly three and a half months while the required Tariff process took its course. This would be an inequitable outcome, and one that would seem to violate both the Tariff and Commission precedent.

To the extent that the Commission believes that waiver of prior notice is not appropriate, MISO respectfully requests that the Commission treat the SSR Agreement as a late-filed service agreement, limiting Escanaba's revenue recovery to variable operations and maintenance costs from June 15, 2012 to September 5, 2012, the date on which the service agreement would be

---

[25] The City of Escanaba is a non-jurisdictional seller, so it is not clear that the prior notice rule applies to its provision of SSR service to MISO. MISO is not asking the Commission to rule on this question, but raises it only insofar as it counsels toward granting the requested effective date.

[26] Testimony of Michael Furmanski, p 5.

[27] *See also Midwest Indep. Transmission Sys. Operator, Inc.*, 109 FERC ¶ 61,157, at P 293 (2004) ("Finally, we emphasize that all SSR units should be fully compensated for any costs incurred because of their extended service. For example, nothing in the SSR program would require a generator to absorb any uncompensated going-forward costs.").

effective under the 30-day rule for service agreements, so that Escanaba would not be required to provide this reliability service at a loss.[28]

In the alternative, to the extent the Commission does not grant the requested June 15, 2012 effective date, MISO requests an effective date of September 5, 2012, consistent with the Commission's rule that service agreements must be filed within 30 days of commencing service.[29] The SSR Agreement is a *pro forma* agreement included in the Tariff, the executed versions of which are therefore service agreements.

F. SSR Cost Determination

Consistent with SSR Order,[30] MISO has negotiated in good faith with Escanaba to develop just and reasonable rates to compensate Escanaba for operating the SSR Units. The SSR Agreement provides equitable compensation for the SSR Units, consistent with the Tariff. The compensation provided to Escanaba for its SSR status is just and reasonable and is no more than necessary to maintain the availability of the SSR Units for such time as needed to maintain reliability. As the Commission has recently clarified, SSR compensation is negotiated and is not necessarily cost-based; thus, cost-of-service rate design precision is not required. The SSR compensation that MISO and Escanaba developed for the SSR Agreement, however, are based upon actual costs. The enclosed Testimony of Michael Furmanski, enclosed as Exhibit D, supports the reasonableness of the negotiated rates.[31] MISO and the IMM have reviewed Escanaba's operating cost history for the SSR Units and have calculated and negotiated a monthly revenue requirement of $309,190. While Escanaba maintains that a higher level of cost recovery would be justified under the Tariff, Escanaba has agreed to the rate contained in the SSR Agreement for the purposes of timely regulatory approval and certainty.[32]

The SSR Agreement also provides for variable generation costs (fuel and ash disposal costs) when MISO dispatches the unit to maintain system reliability and equitable mechanisms to

---

[28] Under the Commission's policy for late-filed agreements, sellers are still permitted to recover their variable Operating and Maintenance costs so that they are not required to operate at a loss. *See Int'l Transmission Co.,* 140 FERC ¶ 61,151, at P 26 (2012) ("As noted by ITC, the Commission's time-value refund policy for late-filed agreements does not require the utility to operate at a loss; therefore, if the utility is only recovering its out-of-pocket costs incurred to provide the service, there is no requirement to make time-value refunds.").

[29] Under the Commission's regulations, public utilities may adopt standard form service agreements which are included as part of the utility's tariff on file with the Commission. 18 C.F.R. § 35.10a(a). The Commission's regulations further provide that service agreements (defined at 18 C.F.R. § 35.2 as "an agreement that authorizes a customer to take electric service under the terms of a tariff") need only be filed within thirty days after service has commenced. 18 C.F.R. § 35.3(a)(2).

[30] SSR Order at P 140.

[31] Testimony of Michael Furmanski, p 7-8.

[32] Testimony of Michael Furmanski, p 10.

ensure that when the SSR Unit is dispatched, Escanaba will not receive market revenues above variable generation costs.

Importantly, in contrast to other reliability-must-run contracts filed at the Commission, the SSR Agreement does not represent a "fully loaded" cost-of-service rate. As evidenced by Exhibit 3 to the SSR Agreement, the annual SSR compensation is limited to operations and maintenance ("O&M"), insurance, and a small management fee required for an existing O&M provider. The rates do not include, for example, a rate of return on rate base, depreciation, certain administrative and general, or other components of a full cost-based rate. The justness and reasonableness of the SSR compensation is also evidenced by the four-year operating cost history of the SSR Units. As shown in Exhibit 3 to the SSR Agreement, audited cost history for the SSR Units document that Escanaba's annual expenses for the categories covered by the SSR Agreement range from approximately $4.3 million to $5.3 million over that time. Moreover, the termination clause of the SSR Agreement permit MISO to terminate the agreement on 90 days' notice in MISO's sole discretion, so customers will not have to pay the subject SSR costs for any longer than necessary to ensure system reliability.

G. SSR Cost Recovery

The Tariff requires that the costs associated with the subject SSR Agreement will be allocated to all LSEs within the footprint of the American Transmission Company on a *pro rata* basis. The allocation is consistent with revised Section 38.2.7(j) of the Tariff (which the Commission conditionally approved in Docket No. ER12-2302[33]) to allocate costs in the American Transmission Company footprint to LSEs, rather than to Market Participants, on a *pro rata* basis. Consistent with the SSR Order,[34] MISO is contemporaneously submitting a new Rate Schedule 43 in a separate FERC filing to address cost recovery of the subject SSR costs.[35]

---

[33] SSR Order at P 153.

[34] SSR Order at P 155.

[35] MISO respectfully requests that the subject filing and the related Rate Schedule 43 proceeding be consolidated, consistent with the Commission's practice to consolidate matters where there are common issues of law or fact and consolidation will ultimately result in greater administrative efficiency. *See e.g.*, *Sw. Power Pool, Inc.*, 125 FERC ¶ 61,001, at P 26 (2008); *Startrans IO L.L.C.*, 122 FERC ¶ 61,306, at P 64 (2008); *PP&L Resources, Inc.*, 90 FERC ¶ 61,203, at 61,653 (2000).

III. DOCUMENTS SUBMITTED WITH THIS FILING

The documents submitted with this filing include the following:

Exhibit A	-	Redline of SSR Agreement
Exhibit B	-	Clean version of SSR Agreement
Exhibit C	-	Report of Need and Alternatives
Exhibit D	-	Direct Testimony of Michael Furmanski

IV. EFFECTIVE DATE

MISO respectfully requests that the Commission waive its sixty (60) day notice requirement, as specified in Section 35.3(a) of the Commission's regulations, 18 C.F.R. § 35.3(a), and make this SSR Agreement effective as of June 15, 2012. To the extent that the Commission determines that any requirement of 18 C.F.R. § 35 apply that have not been specifically addressed herein, MISO respectfully requests waiver of such requirements.

V. NOTICE AND SERVICE

MISO has served a copy of this filing electronically, including attachments, upon all Tariff Customers under the Open Access Transmission, Energy and Operating Reserve Markets Tariff, MISO Members, Member representatives of Transmission Owners and Non-Transmission Owners, MISO's Advisory Committee participants, as well as all state commissions within the Region.

In addition, the filing has been posted electronically on MISO's website at https://www.misoenergy.org/Library/FERCFilingsOrders/Pages/FERCFilings.aspx for other interested parties in this matter.

VI. COMMUNICATIONS

Communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list established by the Secretary in this proceeding:

Matthew R. Dorsett *
Midwest Independent Transmission
System Operator, Inc.
P.O. Box 4202
Carmel, Indiana 46082-4202
Telephone: (317) 249-5400
Fax: (317) 249-5912
mdorsett@misoenergy.org

Richard A. Drom*
Christian McMurray
Andrews Kurth LLP
1350 I Street, N.W., Suite 1100
Washington, D.C. 20005
Telephone: (202) 662-2701
Fax: (202) 974-9527
rdrom@andrewskurth.com
cmcmurray@andrewskurth.com

* Persons authorized to receive service

VII. CONCLUSION

For all of the foregoing reasons, MISO respectfully requests that the Commission accept the proposed SSR Agreement without hearing, grant the proposed effective date of June 15, 2012, and grant waiver of any Commission regulations not addressed herein that the Commission may deem applicable to this filing.

Sincerely,
/s/ Matthew R. Dorsett

Matthew R. Dorsett
Attorney
Midwest Independent Transmission System Operator, Inc.
720 City Center Drive
Carmel, Indiana 46032
Telephone: (317) 249-5400
mdorsett@misoenergy.org

Richard A. Drom
Christian McMurray
Andrews Kurth LLP
1350 I Street, N.W.
Suite 1100
Washington, D.C. 20005
Telephone: (202) 662-2701
Fax: (202) 662-2739
rdrom@andrewskurth.com
cmcmurray@andrewskurth.com

Certificate of Service

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Carmel, Indiana, this 5th day of October, 2012.

/s/ Rhiannon R. Shelley
Rhiannon R. Shelley

Exhibit A

SA 6500 The City of Escanaba – MISO SSR Version 0.0.0 Effective: 6/15/2012

Original Service Agreement No. 6500

ATTACHMENT Y-1

~~Standard Form~~ System Support Resource ("SSR") Agreement

Between

~~(Participant)~~
The City of Escanaba

and

The Midwest Independent Transmission System Operator, Inc.

ATTACHMENT Y-1

System Support Resource ("SSR") Agreement

Between

The City of Escanaba

and

The Midwest Independent Transmission System Operator, Inc.

_____This SSR Agreement ("Agreement"), effective as of —the 15th of _____, —June, 2012 ("Effective Date"), is entered into by and between ~~[insert Participant's name],~~The City of Escanaba, Michigan, a ~~[insert business entity type and state]~~municipality ("Participant") and the Midwest Independent Transmission System Operator, Inc. ("~~Midwest ISO~~MISO").

Recitals

WHEREAS:

A. Participant owns or operates a Generation Resource or a Synchronous Condenser Unit ("SCU") as defined in the ~~Midwest ISO~~MISO Tariff, and ~~the Midwest ISO~~MISO requires Participant to supply service in the ~~Midwest ISO~~MISO Region in order to maintain the reliability of the Transmission System;

B. ~~Midwest ISO~~MISO is the Regional Transmission Organization ("RTO") for the ~~Midwest ISO~~MISO Region; and

C. The Parties enter into this Agreement in order to establish the terms and conditions by which ~~Midwest ISO~~MISO and Participant will discharge their respective duties and responsibilities under the ~~Midwest ISO~~MISO Tariff.

~~Agreements~~
NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, ~~Midwest ISO~~MISO and Participant (the "Parties") hereby agree as follows:

Section 1. Unit-Specific Terms.

A. Start Date: _____, ~~20__~~.June 15, 2012.

B. Start Time: _____12:00 a.m.

C. Unit~~:~~_____.: Escanaba Steam Units 1 & 2.

The ~~unit~~units described above may also be referred to as the "Designated ~~Unit~~Units" or "~~Unit~~Units" or "SSR ~~Unit~~Units" in this Agreement.

~~D. Description of Unit [*including location, number of generators, etc.*]:~~

_____

_____;D. Description of Units: The Units are located at the Escanaba Generating Station, as may be described in more detail on Exhibit 1 attached hereto. If Unit is a combined cycle Generation Resource, indicate the Unit's operational capability consistent with the requirements of the ~~Midwest ISO~~MISO Tariff.

E. Name Plate Information ~~[*Fill out* for *applicable type of unit checked in Subsection 1.B above*]~~

_____SSR ~~Unit~~Units:

_____(a) SSR Capacity in MW: _____12.5 MW for each of the Units

(b) Power Factor Lagging

(i) _____0.9 P.F. (at Generator Main Leads)

(ii) _____ P.F. (at high side of Main Power Transformer)

(c) Power Factor Leading

(i) 0.9 P.F. (at Generator Main Leads)

(ii) _____ P.F. (at high side of Main Power Transformer)

F. Delivery Point: UPPC.ESCST1 and UPPC.ESCST2

G. Revenue Meter Location (Use Resource IDs): [Not applicable]

H. Operational and Environmental Limitations (check and describe all that apply):

SSR Unit:

(a) Operational

☒ Maximum annual hours of operation: 8,500

☒ Maximum annual MWh: 145,000

☒ Maximum annual starts: the number of starts as required by MISO for system reliability.

☐ Other: _____

(b) Environmental

☐ Maximum annual NO_x emissions: _____

☒ Maximum annual SO_2 emissions: Coal Spec 1.5% Sulfur by weight for 12,000 Btud/lb.

~~☐ Other:~~

☒ Other: particulate 0.3 lbs / 1,000 lbs exhaust gas corrected to 50% excess air Opacity <20% Opacity for 6 minute average

Section 2. Definitions.

A. Unless herein defined, all definitions and acronyms found in the ~~Midwest ISO~~MISO Tariff shall be incorporated by reference into this Agreement.

B. "~~Midwest ISO~~MISO Tariff" shall mean the document adopted by ~~the Midwest ISO~~MISO, including any attachments or exhibits referenced in that document, as amended from time to time, that contains the scheduling, operating, planning, reliability, and settlement (including customer registration) policies, rules, guidelines, procedures, standards, and criteria of ~~the Midwest ISO.~~MISO. For the purposes of determining responsibilities and rights at a given time, the ~~Midwest ISO~~MISO Tariff, as amended in accordance with the change procedure(s) described in the ~~Midwest ISO~~MISO Tariff, in effect at the time of the performance or non-performance of an action, shall govern with respect to that action.

Section 3. Term and Termination.

A. Term.

(1) This Agreement is effective beginning on the Effective Date.

(2) The "Term" of this Agreement is a period of _____;12 months; provided, however, that ~~the Midwest ISO~~MISO, in its sole discretion, may terminate or extend this Agreement prior to the end of the Term by giving ninety (90) days advance written notice to Participant.

(3) The period beginning on the Start Date and ending when the Agreement terminates is called the "Full Term" of this Agreement.

(4) An Initial Term may be extended by ~~the Midwest ISO if the Midwest ISO~~MISO if MISO provides at least ninety (90) days advance notice of such extension to the Participant.

B. Termination by Participant. Participant may, at its option, immediately terminate this Agreement upon the failure of ~~the Midwest ISO~~MISO to continue to be certified by the Federal Energy Regulatory Commission ("FERC" or the "Commission") as an RTO.

C. Effect of Termination and Survival of Terms. If this Agreement is terminated by a Party pursuant to the terms hereof, the rights and obligations of the Parties hereunder shall terminate, except that the rights and obligations of the Parties that have accrued under this Agreement prior to the date of termination shall survive.

D. Notice. All notices required to be given under this Agreement shall be in writing, and shall be deemed delivered three (3) days after being deposited in the U.S. mail, first class postage prepaid, registered (or certified) mail, return receipt requested, addressed to the other Party at the address specified in this Agreement or shall be deemed delivered on the day of receipt if sent in another manner requiring a signed receipt, such as courier delivery or Federal Express delivery~~.~~, or if sent during regular business hours by facsimile or electronic communication. Either Party may change its address for such notices by delivering to the other Party a written notice referring specifically to this Agreement. Notices required hereunder shall be in accordance with the applicable Sections of the ~~Midwest ISO~~MISO Tariff.

If to ~~Midwest ISO~~MISO:

720 City Center Drive
Carmel, IN 46032
Tel. No. (317) 249-5400

If to Participant:

~~[insert information]~~

Mr. Michael Furmanski
Electrical Superintendent
City of Escanaba
1711 Sheridan Road
Escanaba, MI 49829
Phone: 906-768-0061
email: mfurmanski@escanaba.org

E. Transfer of Ownership of SSR Units. Both Parties recognize that Participant has been negotiating to transfer ownership of the SSR Units to a new owner. In connection with completion of the transfer of ownership, Participant, MISO, and the new owner shall enter into a written agreement pursuant to which Participant shall assign and the new owner shall assume and agree to be bound by Participant's obligations under this Agreement, including , but not limited to, Section 8.A.

F. Termination Upon Conversion of SSR Unit. MISO and Participant agree that MISO shall have the right to immediately terminate this SSR Agreement upon commencement of a planned outage for the purpose of conversion of one of the SSR Units to an alternative fuel source. Participant agrees to provide MISO with written notification of such planned outage, which will include a schedule for all outages to accommodate the complete conversion, in addition to submittal of the outage request via the MISO's outage scheduling system in accordance with the MISO Business Practices Manual applicable to Generator Planned Outage scheduling. MISO shall exercise discretion to continue the SSR Agreement based upon the availability of the SSR Units to support system reliability during the proposed conversion schedule, and the continued need for the SSR Units. If only one of the two SSR Units is converted, then MISO and Participant will re-negotiate the compensation provided for in Exhibit 2. Conversion of the SSR Units shall not prevent

a new owner from using the SSR provisions found in Section 38.2.7 of the Tariff to request SSR status for the converted facility.

Section 4. Representations, Warranties, and Covenants.

A. Participant represents, warrants, and covenants that:

(1) Participant is duly organized, validly existing and in good standing under the laws of the jurisdiction under which it is organized, and is authorized to do business in the ~~Midwest ISO~~MISO Region;

(2) Participant has full power and authority to enter into this Agreement and perform all of Participant's obligations, representations, warranties, and covenants under this Agreement;

(3) Participant's past, present and future agreements or Participant's organizational charter or bylaws, if any, or any provision of any indenture, mortgage, lien, lease, agreement, order, judgment, or decree to which Participant is a party or by which its assets or properties are bound do not materially affect performance of Participant's obligations under this Agreement;

(4) The execution, delivery and performance of this Agreement by Participant have been duly authorized by all requisite action of its governing body;

(5) Except as set out in an exhibit (if any) to this Agreement, ~~Midwest ISO~~MISO has not, within the ~~twenty-four (24~~twelve (12) months preceding the Effective Date, terminated for Default any Prior Agreement with Participant, any company of which Participant is a successor in interest, or any Affiliate of Participant;

(6) If any Defaults are disclosed on any such exhibit mentioned in subsection 4.A(5), either (a) ~~the Midwest ISO~~MISO has been paid, before execution of this Agreement, all sums due to it in relation to such Prior Agreement, or (b) ~~the~~

~~Midwest ISO~~MISO, in its reasonable judgment, has determined that this Agreement is necessary for ~~system~~the reliability of the Transmission System, and Participant has made alternate arrangements satisfactory to ~~the Midwest ISO~~MISO for the resolution of the Default under the Prior Agreement; Participant is a successor in interest or any Affiliates of Participant;

(7) Participant has obtained, or will obtain prior to beginning performance under this Agreement, all licenses, registrations, certifications, permits and other authorizations and has taken, or will take prior to beginning performance under this Agreement, all actions required by applicable laws or governmental regulations except licenses, registrations, certifications, permits or other authorizations that do not materially affect performance under this Agreement;

(8) Participant is not in violation of any laws, ordinances, or governmental rules, regulations or order of any Governmental Authority or arbitration board materially affecting performance of this Agreement and to which it is subject;

(9) Participant is not Bankrupt, does not contemplate becoming Bankrupt nor, to its knowledge, will become Bankrupt;

(10) Participant acknowledges that it has received and is familiar with the ~~Midwest ISO~~MISO Tariff; and

(11) Participant acknowledges and affirms that the foregoing representations, warranties, and covenants are continuing in nature throughout the term of this Agreement. For purposes of this Section, "materially affecting performance" means resulting in a materially adverse effect on Participant's performance of its obligations under this Agreement.

B. ~~Midwest ISO~~MISO represents, warrants, and covenants that:

(1) ~~The Midwest ISO~~MISO is the RTO certified under 18 C.F.R. §35.34 for the ~~Midwest ISO~~MISO Region and the subject Generation Resource/SCU is located within the ~~Midwest ISO~~MISO Region;

(2) ~~The Midwest ISO~~MISO is duly organized, validly existing and in good standing under the laws of Delaware, and is authorized to do business in the ~~Midwest ISO~~MISO Region;

(3) ~~The Midwest ISO~~MISO has full power and authority to enter into this Agreement and perform all of ~~Midwest ISO's~~MISO's obligations, representations, warranties, and covenants under this Agreement;

(4) ~~The Midwest ISO's~~MISO's past, present and future agreements or ~~Midwest ISO's~~MISO's organizational charter or bylaws, if any, or any provision of any indenture, mortgage, lien, lease, agreement, order, judgment, or decree to which ~~the Midwest ISO~~MISO is a party or by which its assets or properties are bound do not materially affect performance of ~~the Midwest ISO's~~MISO's obligations under this Agreement;

(5) The execution, delivery and performance of this Agreement by ~~Midwest ISO~~MISO have been duly authorized by all requisite action of its governing body;

(6) ~~The Midwest ISO~~MISO has obtained, or will obtain prior to beginning performance under this Agreement, all licenses, registrations, certifications, permits and other authorizations and has taken, or will take prior to beginning performance under this Agreement, all actions required by applicable laws or governmental regulations except licenses, registrations, certifications, permits or other authorizations that do not materially affect performance under this Agreement;

(7) ~~The Midwest ISO~~MISO is not in violation of any laws, ordinances, or governmental rules, regulations or order of any Governmental Authority or arbitration board materially affecting performance of this Agreement and to which it is subject;

(8) ~~The Midwest ISO~~MISO is not Bankrupt, does not contemplate becoming Bankrupt nor, to its knowledge, will become Bankrupt; and

(9) ~~The Midwest ISO~~MISO acknowledges and affirms that the foregoing representations, warranties, and covenants are continuing in nature throughout the term of this Agreement. For purposes of this Section, "materially affecting performance," means resulting in a materially adverse effect on ~~Midwest ISO's~~MISO's performance of its obligations under this Agreement.

Section 5. Participant Obligations.

Participant shall comply with, and be bound by, the ~~Midwest ISO~~MISO Tariff as it pertains to the provision of SSR Service.

Section 6. ~~Midwest ISO~~MISO Obligations.

~~The Midwest ISO~~MISO shall comply with, and be bound by, all ~~Midwest ISO~~MISO Tariff provisions.

Section 7. Capacity Tests for SSR Units.

~~A. Capacity Tests.~~

A. If the SSR Units are designated as Capacity Resources pursuant to Module E-1 of the MISO Tariff, then the capacity test provisions of Module E-1 shall apply. If the SSR Units are not so designated, the provisions of Section 7(B) of this Agreement shall apply.

B. Capacity Tests.

(1) A "Capacity Test" is a one-hour performance test of the SSR ~~Unit~~Units by Participant. The capacity as shown by a Capacity Test is called "Tested Capacity" and is determined by the applicable net meter readings during the Capacity Test.

(2) ~~Midwest ISO~~MISO may require that a Capacity Test be run at ~~the Midwest ISO's~~MISO's discretion at any time when the SSR ~~Unit is~~Units are on-line, but ~~the Midwest ISO~~MISO may not require more than four (4) Capacity Tests in a contract year. ~~The Midwest ISO~~MISO must give Participant at least two (2) hours advance notice, after the SSR ~~Unit is~~Units are on line, of a Capacity Test required by ~~the Midwest ISO~~MISO, unless ~~Market~~ Participant agrees to less than two (2) hours. Participant may perform as many Capacity Tests as it desires, but Participant may not perform a Capacity Test without the prior approval of ~~the Midwest ISO~~MISO, which approval ~~the Midwest ISO~~MISO may not unreasonably withhold or delay. The Parties will reasonably cooperate to coordinate a Capacity Test. ~~The Midwest ISO~~MISO has the right to reasonable advance notice of, and to have personnel present during, a Capacity Test.

~~B.~~ (3). Test Report. ~~The Midwest ISO~~MISO shall give the Capacity Test results in writing (the "Capacity Test Report") to Participant within twenty-four (24) hours after the test is run.

~~C.~~ (4). Effect of Test.

(~~1~~a) A determination of Tested Capacity is effective as of the beginning of the hour in which the Capacity Test is started.

(~~2~~b) For all hours in which Tested Capacity is less than SSR Capacity, then Billing Capacity is reduced as set out in Section 9.~~E~~F below and remains so reduced until a subsequent Capacity Test establishes that Tested Capacity equals or exceeds SSR Capacity~~.~~

(~~3~~ (c) After the Effective Date, ~~the Midwest ISO~~MISO shall ~~purchase~~dispatch, as part of SSR energy, the electrical energy and/or reactive power produced by the SSR ~~Unit~~Units, including ramping energy and/or reactive power, during a Capacity Test requested by ~~the Midwest ISO~~MISO, net of auxiliary equipment and other electrical requirements of the SSR ~~Unit~~Units that are supplied by the SSR ~~Unit. The Midwest ISO~~Units. MISO shall also ~~purchase~~dispatch, as part of SSR energy, any electrical energy and/or reactive power produced by the SSR ~~Unit~~Units during a Capacity Test requested by Participant to attempt to show that Tested Capacity equals or exceeds SSR Capacity, net of auxiliary equipment and other electrical requirements of the SSR ~~Unit~~Units that are supplied by the SSR ~~Unit~~Units.

Section 8. Operation.

A. Designated Unit Maintenance. Before the start of each contract year, Participant shall furnish ~~the Midwest ISO~~MISO with its proposed schedule for Generator Planned Outages for inspection, repair, maintenance, and overhaul of the Designated ~~Unit~~Units for the contract year~~. Participant will promptly advise the Midwest ISO of any later changes to the schedule. The specific times for~~, in accordance with MISO's outage scheduling system. MISO shall approve or reject Generation Planned Outages ~~of the Designated Unit~~

~~must be approved or rejected by the Midwest ISO within thirty (30) days after submission by a Participant. Requested outages shall only be rejected if necessary to assure reliability of the Midwest ISO System. The Midwest ISO~~in accordance with MISO's Business Practices Manual. MISO shall, if requested by Participant, endeavor to accommodate changes to the schedule to the extent that reliability of the ~~Midwest ISO~~MISO System is not materially affected by those changes. In all cases, ~~Midwest ISO~~MISO must find a time for Participant to perform maintenance in a reasonable timeframe as defined by Good Utility Practice.

B. Planning Data. Participant shall timely report to ~~the Midwest ISO~~MISO those items and conditions necessary for ~~the Midwest ISO's~~MISO's internal planning and compliance with ~~the Midwest ISO's~~MISO's guidelines in effect from time to time. The information supplied must include, without limitation, the following:

(1) Availability Plan (*i.e.* Day-Ahead Offer) for the next day ~~(transmitted to the Midwest ISO dispatcher by 6:00 a.m. of the preceding day). The information submitted~~ in ~~the Availability Plan will be consistent~~accordance with ~~the information submitted in the Resource Plan;~~Tariff deadlines;

(2) Revised Availability Plan reflecting changes in the ~~Plan as soon as reasonably practical, but in no event later than sixty (60) minutes after the event that caused the change~~Availability Plan in accordance with Tariff deadlines; and

(3) Status of Designated ~~Unit~~Units with respect to Environmental Limitations, if any. ~~The Midwest ISO~~MISO shall timely report to Participant the status of the Designated ~~Unit~~Units with respect to Operational Limitations.

C. Delivery.

(1) ~~The Midwest ISO~~MISO shall notify Participant of the hours and levels, if any, that the ~~Designated Unit is~~SSR Units are to operate~~. This information is called~~ through day-ahead commitment and real-time dispatch for system reliability. The set point in the real-time dispatch shall be considered the "Delivery Plan~~." The Midwest ISO shall notify Participant according to the Section 4, Scheduling~~" for the purposes of ~~the Midwest ISO Tariff. The Midwest ISO shall not notify Participant to operate at levels above those stated in the Availability Plan, and the Midwest ISO~~this Agreement. MISO shall not notify Participant to operate the SSR Unit in a way that would violate the limitations on operation set out in Section 1 above. Notwithstanding the foregoing, Participant shall be able to offer its capacity into the MISO Energy & Ancillary Services Markets outside of the Delivery Plan when the SSR Units are not needed to address the reliability issues pertaining to this Agreement, consistent with Section 38.2.7(g) of the Tariff. Such offers into MISO Markets shall be cost-based, including but not limited to Start-Up, No Load and Energy Offers.

(2) Participant shall produce and deliver electrical energy and/or reactive power from the SSR ~~Unit~~Units to the Delivery Point at the levels specified in the Delivery Plan.

(3) ~~The Midwest ISO~~MISO may dispatch the ~~Designated Unit only~~SSR Units when necessary to ensure transmission system security, including any emergency situation. ~~The Midwest ISO~~MISO may not dispatch the Designated Unit if compliance with the dispatch would cause the Designated Unit to exceed the Operational and Environmental Limitations, if any, set forth in Section 1 above or at levels greater than are shown in the Availability Plan. Notwithstanding the

foregoing, Participant retains the responsibility for operating the ~~Designated Unit~~SSR Units in accordance with limits provided by applicable law.

(4) During the hours of operation of the SSR ~~Unit~~Units specified in the Delivery Plan, Participant may only participate in the ~~Midwest ISO~~MISO Energy and Ancillary Services Markets from the SSR ~~Unit~~Units in accordance with the relevant conditions in the ~~Midwest ISO~~MISO Tariff.

Section 9. Payment Provisions.

A. For the transfer of any funds under this Agreement directly between ~~the Midwest ISO~~MISO and Participant and pursuant to the Settlement procedures ~~for Ancillary Services~~ described in the ~~Midwest ISO~~MISO Tariff, the following shall apply:

(1) Participant appoints ~~the Midwest ISO~~MISO to act as its agent with respect to such funds transferred and authorizes ~~the Midwest ISO~~MISO to exercise such powers and perform such duties as described in this Agreement or the ~~Midwest ISO~~MISO Tariff, together with such powers or duties as are reasonably incidental thereto.

(2) ~~The Midwest ISO~~MISO shall not have any duties, responsibilities to, or fiduciary relationship with Participant and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement except as expressly set forth herein or in the ~~Midwest ISO~~MISO Tariff.

B. Availability Payments for the SSR ~~Unit. The Midwest ISO~~Units. MISO shall make to Participant monthly availability payments to ~~SSR Units to~~ ensure the SSR ~~Unit is~~Units are available to produce reactive power and, when required, real energy, ~~as detailed~~pursuant to the terms of Exhibit 2 to this Agreement. The amount of the monthly availability payment shall be the Monthly SSR Payment as defined in Exhibit ~~3~~2.

C. Schedule 2 Payments for SSR ~~Unit~~Units. SSR Units shall recover costs associated with Reactive Supply and Voltage Control Services through Schedule 2. Schedule 2 compensation shall be provided along with other compensation to encourage parties not to ~~Retire or Suspend~~decommission, place into extended reserve shutdown or disconnect potential SSR Units.

D. ~~True-Up~~Dispatch Payments. In addition to the availability payments described in Section 9(B), MISO shall also compensate Participant for each dispatch of the SSR Units pursuant to the terms of Exhibit 2 to this Agreement.

E. Settlement Provisions for the SSR ~~Unit~~Units. At the conclusion of each calendar ~~year, the Midwest ISO~~month, MISO shall conduct ~~an annual true-up to match market and other revenues~~a settlement process for the SSR Unit(s), consistent with ~~SSR Unit annual revenue~~the MISO Tariff requirements~~, in accordance with Section 38.2.7(h).~~.

~~E~~F. Performance-Related Payment Adjustments.

(1) For ~~a~~the SSR ~~Unit~~Units, a "Misconduct Event" means any hour or hours during which Participant is requested to, but does not, deliver to ~~Midwest ISO~~MISO electrical energy and/or reactive power ~~at a level of at least 98% on each hour (on a kilowatt-hour/hour~~which is one (1) megawatt or ~~MVAR/hour basis) of~~more less than the level shown in the Delivery Plan.

(2) Each day that a Misconduct Event continues after Participant receives written notice from ~~Midwest ISO~~MISO of the Misconduct Event is a separate Misconduct Event. A Misconduct Event is measured on a daily basis.

(3) Participant is excused from the Misconduct Event payment reduction arising from any Misconduct Event that is (a) not due to intentionally incomplete, inaccurate, or dishonest reporting to ~~Midwest ISO~~MISO by Participant of the availability of the Designated ~~Unit~~Units, or (b) caused by a failure of the ~~Midwest ISO~~MISO Transmission Grid.

(4) If a Misconduct Event is not excused, then to reflect this lower-than-expected quality of firmness, ~~Midwest ISO's~~MISO's payments to Participant are reduced by the Unexcused Misconduct Amount of no more than $10,000 per day for both units.

(5) ~~Midwest ISO~~MISO shall inform Participant in writing of its determination if a Misconduct Event is unexcused.

(6) ~~Midwest ISO~~MISO may offset any amounts due by Participant to ~~Midwest ISO~~MISO under this Section 9.E against any amounts due by ~~Midwest ISO~~MISO to Participant under this Agreement.

G. Compensation for Unanticipated Repairs. During the Term of this Agreement, any necessary repair or repairs to the SSR Unit(s) shall not entitle Participant to any additional compensation under this Agreement, except as provided herein. For the purposes of this Section, "unanticipated" repairs are those for which compensation is not provided for in the Annual SSR Amount contained in Exhibit 2 to this SSR Agreement. If the need arises to make an unanticipated repair to one or both of the SSR Units, Participant shall notify MISO before incurring said repair costs, together with reasonable information in support thereof. Upon such notification, MISO shall notify Participant either that (i) it elects to exercise its rights to terminate this Agreement; or (ii) it agrees to fund such repairs, subject to the terms of parts 1 and 2 of this Section 9.G. In no circumstances shall the costs of

repairs authorized by MISO pursuant to this Agreement be the responsibility of Participant. Participant shall not be deemed to have a Misconduct Event, nor shall Participant be subject to any other performance penalties under this Agreement or the MISO Tariff for the period of time after Participant notifies MISO of the need for repairs as provided in this Section 9.G and MISO provides to Participant written notification that it agrees to fund the costs of such repairs and directs Participant to make such repairs. MISO and Participant agree that unanticipated repairs in this Section 9.G shall not include the costs of converting the SSR Units from coal to an alternative fuel.

1. **Non-Emergency Repairs**. Except as provided for in part 2 of this Section 9(G), before MISO may issue a notice to fund unanticipated repairs, MISO shall make and receive approval of a Federal Power Act ("FPA") Section 205 filing at the Commission to modify this Agreement to provide for the recovery of such repair costs and shall serve such filing on all parties to whom such repair costs would be allocated. Participant shall not make such unanticipated repairs unless and until MISO informs Participant in writing that it agrees to fund such repairs and has received FERC approval to modify this Agreement to provide for the recovery of such costs.

2. **Emergency Repairs.** If MISO reasonably believes that system security and reliability require any unanticipated repairs to be made before FERC can act on a Section 205 filing ("Emergency Repairs"), MISO shall so notify Participant in writing and direct Participant to make such Emergency Repairs and MISO shall agree to fund such Emergency Repairs, and make a Section 205 filing at FERC as soon as reasonably practicable thereafter to modify this Agreement to provide for recovery of such repair costs. In the case of Emergency Repairs, if FERC later determines MISO's decision to fund such Emergency Repairs was imprudent or otherwise does not accept such

modifications to the Agreement, the costs of the Emergency Repairs shall be allocated pursuant to the terms of the MISO Tariff.

H. Allocation of SSR Compensation.

(1) MISO will charge the LSEs that benefit from operation of the subject SSR Unit in accordance with Schedule 43.

Section 10. Default.

A. Event of Default.

(1) Failure to make payment or transfer funds as provided in the ~~Midwest ISO~~MISO Tariff shall constitute a material breach and shall constitute an event of default ("Default") unless cured within three (3) Business Days after delivery by the non-breaching Party of written notice of the failure to the breaching Party. Provided further that if such a material breach, regardless of whether such breach is cured within the allotted time after notice of the material breach, occurs more than three (3) times within a rolling twelve (12)-month period, the fourth such breach shall constitute a Default by the breaching Party.

(2) For any material breach other than a failure to make payment or transfer funds, the occurrence and continuation of any of the following events shall constitute an event of Default by Participant:

(a) Except as excused under subsection (4) or (5) below, a material breach, other than a failure to make payment or transfer funds, of this Agreement by Participant, including any material failure by Participant to comply with the ~~Midwest ISO~~MISO Tariff, unless

cured within fourteen (14) Business Days after delivery by ~~Midwest ISO~~MISO of written notice of the material breach to Participant. Participant must begin work or other efforts within three (3) Business Days to cure such material breach after delivery by ~~the Midwest ISO~~MISO of written notice of such material breach by Participant and must prosecute such work or other efforts with reasonable diligence until the breach is cured. Provided further that if a material breach, regardless of whether such breach is cured within the allotted time after notice of the material breach, occurs more than three (3) times within a rolling twelve (12)-month period, the fourth (4th) such breach shall constitute a Default.

(b) Participant becomes Bankrupt, except for the filing of a petition in involuntary bankruptcy, or similar involuntary proceedings that is dismissed within ninety (90) days thereafter.

(c) The Designated Unit's operation is abandoned without intent to return it to operation during the Full Term; or

(d) Three or more unexcused Misconduct Events occur during a contract year.

(3) Except as excused under subsection (4) or (5) below, a material breach of this Agreement by ~~Midwest ISO~~MISO, including any material failure by ~~Midwest ISO~~MISO to comply with the ~~Midwest ISO~~MISO Tariff, other than a failure to make payment or transfer funds, shall constitute a Default by ~~the Midwest ISO~~MISO unless cured within fourteen (14) Business Days after delivery by Participant of written notice of the material breach to ~~Midwest ISO. The Midwest~~

~~ISO~~MISO. MISO must begin work or other efforts within three (3) Business Days to cure such material breach after delivery by Participant of written notice of such material breach by ~~the Midwest ISO~~MISO and must prosecute such work or other efforts with reasonable diligence until the breach is cured. Provided further that if a material breach, regardless of whether such breach is cured within the allotted time after notice of the material breach, occurs more than three (3) times within a rolling twelve (12)-month period, the fourth such breach shall constitute a Default.

(4) For any material breach other than a failure to make payment or transfer funds, the breach shall not result in a Default if the breach cannot reasonably be cured within fourteen (14) calendar days, prompt written notice is provided by the breaching Party to the other Party, and the breaching Party began work or other efforts to cure the breach within three (3) Business Days after delivery of the notice to the breaching Party and prosecutes the curative work or efforts with reasonable diligence until the curative work or efforts are completed.

(5) If, due to a Force Majeure Event, a Party is in breach with respect to any obligation hereunder, such breach shall not result in a Default by that Party.

B. Remedies for Default.

(1) ~~Midwest ISO's~~MISO's Remedies for Default. In the event of a Default by Participant, ~~Midwest ISO~~MISO may pursue any remedies ~~Midwest ISO~~MISO has under this Agreement, at law, or in equity, subject to the provisions of Section 12: Dispute Resolution of this Agreement. In the event of a Default by Participant, if the ~~Midwest ISO~~MISO Tariff does not specify a remedy for a particular Default,

~~Midwest ISO~~MISO may, at its option, upon written notice to Participant, immediately terminate this Agreement, with termination to be effective upon the date of delivery of notice.

(2) Participant's Remedies for Default.

(a) Unless otherwise specified in this Agreement or in the ~~Midwest ISO~~MISO Tariff, and subject to the provisions of Section 12: Dispute Resolution of this Agreement, in the event of a Default by ~~the Midwest ISO~~MISO, Participant's remedies shall be limited to:

(i) Immediate termination of this Agreement upon written notice to ~~Midwest ISO~~MISO,

(ii) Monetary recovery in accordance with the Settlement procedures set forth in the ~~Midwest ISO~~MISO Tariff, and

(iii) Specific performance.

(b) However, in the event of a material breach by ~~Midwest ISO~~MISO of any of its representations, warranties or covenants, Participant's sole remedy shall be immediate termination of this Agreement upon written notice to ~~Midwest ISO~~MISO.

(c) If as a final result of any dispute resolution ~~Midwest ISO~~MISO, as the settlement agent, is determined to have over-collected from a Market Participant(s), with the result that refunds are owed by Participant to ~~Midwest ISO~~MISO, as the settlement agent such Market Participant(s) may request ~~Midwest ISO~~MISO to allow such Market Participant to proceed directly against Participant, in lieu of receiving full payment from ~~Midwest ISO~~MISO. In the event of such request, ~~Midwest ISO~~MISO, in its sole

discretion, may agree to assign to such Market Participant ~~Midwest ISO's~~MISO's rights to seek refunds from Participant, and Participant shall be deemed to have consented to such assignment. This subsection (c) shall survive termination of this Agreement.

(3) A Default or breach of this Agreement by a Party shall not relieve either Party of the obligation to comply with the ~~Midwest ISO~~MISO Tariff.

C. Force Majeure.

(1) If, due to a Force Majeure Event, either Party is in breach of this Agreement with respect to any obligation hereunder, such Party shall take reasonable steps, consistent with Good Utility Practice, to remedy such breach. If either Party is unable to fulfill any obligation by reason of a Force Majeure Event, it shall give notice and the full particulars of the obligations affected by such Force Majeure Event to the other Party in writing or by telephone (if followed by written notice) as soon as reasonably practicable, but not later than fourteen (14) calendar days, after such Party becomes aware of the event. A failure to give timely notice of the Force Majeure event shall constitute a waiver of the claim of Force Majeure Event. The Party experiencing the Force Majeure Event shall also provide notice, as soon as reasonably practicable, when the Force Majeure Event ends.

(2) Notwithstanding the foregoing, a Force Majeure Event does not relieve a Party affected by a Force Majeure Event of its obligation to make payments or of any consequences of non-performance pursuant to the ~~Midwest ISO~~MISO Tariff or under this Agreement, except that the excuse from Default provided by subsection 10.A(5) above is still effective.

D. Duty to Mitigate. Except as expressly provided otherwise herein, each Party shall use commercially reasonable efforts to mitigate any damages it may incur as a result of the other Party's performance or non-performance of this Agreement.

Section 11. Limitation of Damages and Liability and Indemnification.

A. EXCEPT AS EXPRESSLY LIMITED IN THIS AGREEMENT OR ~~THE MIDWEST ISO~~MISO BUSINESS PRACTICES, ~~MIDWEST ISO~~MISO OR PARTICIPANT MAY SEEK FROM THE OTHER, THROUGH APPLICABLE DISPUTE RESOLUTION PROCEDURES SET FORTH IN ~~THE MIDWEST ISO~~MISO PROTOCOLS, ANY MONETARY DAMAGES OR OTHER REMEDY OTHERWISE ALLOWABLE UNDER ~~TEXAS~~INDIANA LAW, AS DAMAGES FOR DEFAULT OR BREACH OF THE OBLIGATIONS UNDER THIS AGREEMENT; PROVIDED, HOWEVER, THAT ~~NEITHER PARTY IS LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES OR INJURY THAT MAY OCCUR, IN WHOLE OR IN PART, AS A RESULT OF A DEFAULT UNDER THIS AGREEMENT, A TORT, OR ANY OTHER CAUSE, WHETHER OR NOT A PARTY HAD KNOWLEDGE OF THE CIRCUMSTANCES THAT RESULTED IN THE SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES OR INJURY, OR COULD HAVE FORESEEN THAT SUCH DAMAGES OR INJURY WOULD OCCUR.~~NEITHER PARTY IS LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES OR INJURY THAT MAY OCCUR, IN WHOLE OR IN PART, AS A RESULT OF A DEFAULT UNDER THIS AGREEMENT, A TORT, OR ANY OTHER CAUSE, WHETHER OR NOT A PARTY HAD KNOWLEDGE OF THE CIRCUMSTANCES THAT RESULTED IN THE

SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES OR INJURY, OR COULD HAVE FORESEEN THAT SUCH DAMAGES OR INJURY WOULD OCCUR.

B. The Parties have expressly agreed that, other than subsections A and B of this Section, this Agreement shall not include any other limitations of liability or indemnification provisions, and that such issues shall be governed solely by applicable law, in a manner consistent with the Choice of Law and Venue subsection 13.A of this Agreement, regardless of any contrary provisions that may be included in or subsequently added to the ~~Midwest ISO~~MISO Tariff (outside of this Agreement).

Section 12. Dispute Resolution.

A. In the event of a dispute, including a dispute regarding a Default, under this Agreement, Parties to this Agreement shall first attempt resolution of the dispute using the applicable dispute resolution procedures set forth in the ~~Midwest ISO~~MISO Tariff.

B. In the event of a dispute, including a dispute regarding a Default, under this Agreement, each Party shall bear its own costs and fees, including, but not limited to attorneys' fees, court costs, and its share of any mediation or arbitration fees.

Section 13. Miscellaneous.

A. Choice of Law and Venue. Notwithstanding anything to the contrary in this Agreement, this Agreement shall be deemed entered into in Delaware and, with the exception of matters governed exclusively by federal law, shall be governed by and construed and interpreted in accordance with the laws of the State of Delaware that apply to contracts executed in and performed entirely within the State of Delaware, without reference to any rules of conflict of laws. Neither Party waives primary jurisdiction as a defense; provided that any court suits regarding this Agreement shall be brought in a state or federal court

located within Delaware, and the Parties hereby waive any defense of *forum non-conveniens*.

B. Assignment.

(1) Notwithstanding anything herein to the contrary, a Party shall not assign or otherwise transfer all or any of its rights or obligations under this Agreement without the prior written consent of the other Party, which shall not be unreasonably withheld or delayed, except that a Party may assign or transfer its rights and obligations under this Agreement without the prior written consent of the other Party (if neither the assigning Party or the assignee is then in Default of any Agreement with ~~the Midwest ISO):~~MISO):

(a) Where any such assignment or transfer is to an Affiliate of the Party; or

(b) Where any such assignment or transfer is to a successor to or transferee of the direct or indirect ownership or operation of all or part of the Party, or its facilities, provided that the Party, successor or transferee and MISO enter into a written agreement pursuant to which the Party assigns and the successor or transferee assumes and agrees to be bound by all of the Party's obligations under this Agreement; or

(c) For collateral security purposes to aid in providing financing for itself, provided that the assigning Party will require any secured party, trustee or mortgagee to notify the other Party of any such assignment. Any financing arrangement entered into by either Party pursuant to this Section will provide that prior to or upon the exercise of the secured party's, trustee's or mortgagee's assignment rights pursuant to said arrangement, the secured

creditor, the trustee or mortgagee will notify the other Party of the date and particulars of any such exercise of assignment right(s). If requested by the Party making any such collateral assignment to a Financing Person, the other Party shall execute and deliver a consent to such assignment containing customary provisions, including representations as to corporate authorization, enforceability of this Agreement and absence of known Defaults, notices of Default, and an opportunity for the Financing Person to cure Defaults.

(2) An assigning Party shall provide prompt written notice of the assignment to the other Party. Any attempted assignment that violates this Section is void and ineffective. Any assignment under this Agreement shall not relieve either Party of its obligations under this Agreement, nor shall either Party's obligations be enlarged, in whole or in part, by reason thereof~~.~~, provided that in the case of an assignment or transfer pursuant to Section 13(B)(1)(b), the assigning Party shall be released from all obligations under the Agreement if: (i) the successor or transferee is a Market Participant pursuant to the MISO Tariff; and (ii) the successor or transferee, Participant and MISO enter into a written agreement pursuant to which Participant is released from and the successor or transferee assumes and agrees to be bound by all of Participant's obligations under this Agreement, including, but not limited to, Section 8(A).

C. No Third Party Beneficiary. Except with respect to the rights of other Market Participants in Section 10.B and the Financing Persons in Section 13.B, (1) nothing in this Agreement nor any action taken hereunder shall be construed to create any duty, liability or standard of care to any third party, (2) no third party shall have any rights or interest, direct or indirect, in this Agreement or the services to be provided hereunder and (3) this Agreement is

intended solely for the benefit of the Parties, and the Parties expressly disclaim any intent to create any rights in any third party as a third-party beneficiary to this Agreement or the services to be provided hereunder. Nothing in this Agreement shall create a contractual relationship between one Party and the customers of the other Party, nor shall it create a duty of any kind to such customers.

D. No Waiver. Parties shall not be required to give notice to enforce strict adherence to all provisions of this Agreement. No breach or provision of this Agreement shall be deemed waived, modified or excused by a Party unless such waiver, modification or excuse is in writing and signed by an authorized officer of such Party. The failure by or delay of either Party in enforcing or exercising any of its rights under this Agreement shall (1) not be deemed a waiver, modification or excuse of such right or of any breach of the same or different provision of this Agreement, and (2) not prevent a subsequent enforcement or exercise of such right. Each Party shall be entitled to enforce the other Party's covenants and promises contained herein, notwithstanding the existence of any claim or cause of action against the enforcing Party under this Agreement or otherwise.

E. Headings. Titles and headings of paragraphs and sections within this Agreement are provided merely for convenience and shall not be used or relied upon in construing this Agreement or the Parties' intentions with respect thereto.

F. Severability. In the event that any of the provisions, or portions or applications thereof, of this Agreement is held to be unenforceable or invalid by any court of competent jurisdiction, that determination shall not affect the enforceability or validity of the remaining portions of this Agreement, and this Agreement shall continue in full force and effect as if it had been executed without the invalid provision; provided, however, if either Party determines, in its sole discretion, that there is a material change in this Agreement by

reason thereof, the Parties shall promptly enter into negotiations to replace the unenforceable or invalid provision with a valid and enforceable provision. If the Parties are not able to reach an agreement as the result of such negotiations within fourteen (14) days, either Party shall have the right to terminate this Agreement on three (3) days written notice.

~~E~~G. Entire Agreement. Any Exhibits attached to this Agreement are incorporated into this Agreement by reference and made a part of this Agreement as if repeated verbatim in this Agreement. This Agreement represents the Parties' final and mutual understanding with respect to its subject matter. It replaces and supersedes any prior agreements or understandings, whether written or oral. No representations, inducements, promises, or agreements, oral or otherwise, have been relied upon or made by any Party, or anyone on behalf of a Party, that are not fully expressed in this Agreement. An agreement, statement, or promise not contained in this Agreement is not valid or binding.

~~F~~H. Amendment. The standard form of this Agreement may only be modified through the procedure for modifying ~~Midwest ISO~~MISO Tariff described in the ~~Midwest ISO~~MISO Tariff. Any changes to the terms of the standard form of this Agreement shall not take effect until a new Agreement is executed between the Parties.

~~G. Midwest ISO's~~I. MISO's Right to Audit Participant. Participant shall keep detailed records ~~for a period of three years~~ of all activities under this Agreement giving rise to any information, statement, charge, payment or computation delivered to ~~Midwest ISO~~MISO under the ~~Midwest ISO~~MISO Tariff. Such records shall be retained and shall be available for audit or examination by ~~the Midwest ISO~~MISO as hereinafter provided. ~~The Midwest ISO~~MISO has the right during Business Hours and upon reasonable written notice and reasonable cause to examine the records of Participant as necessary to verify the accuracy

of any such information, statement, charge, payment or computation made under this Agreement. If any such examination reveals any inaccuracy in any information, statement, charge, payment or computation, the necessary adjustments in such information, statement, charge, payment, computation, or procedures used in supporting its ongoing accuracy will be promptly made.

~~H~~J. Participant's Right to Audit ~~Midwest ISO~~MISO. Participant's right to data and audit of ~~Midwest ISO~~MISO shall be as described in the ~~Midwest ISO~~MISO Tariff and shall not exceed the rights described in the ~~Midwest ISO~~MISO Tariff.

~~I~~K. Further Assurances. Each Party agrees that during the term of this Agreement it will take such actions, provide such documents, do such things and provide such further assurances as may reasonably be requested by the other Party to permit performance of this Agreement.

~~J~~L. Conflicts. This Agreement is subject to applicable federal, state, and local laws, ordinances, rules, regulations, orders of any Governmental Authority and tariffs. Nothing in this Agreement may be construed as a waiver of any right to question or contest any federal, state and local law, ordinance, rule, regulation, order of any Governmental Authority, or tariff. In the event of a conflict between this Agreement and an applicable federal, state, and local law, ordinance, rule, regulation, order of any Governmental Authority or tariff, the applicable federal, state, and local law, ordinance, rule, regulation, order of any Governmental Authority or tariff shall prevail, provided that Participant shall give notice to ~~Midwest ISO~~MISO of any such conflict affecting Participant. In the event of a conflict between the ~~Midwest ISO~~MISO Tariff and this Agreement, the provisions expressly set forth in this Agreement shall control.

~~K~~M. No Partnership. This Agreement may not be interpreted or construed to create an association, joint venture, or partnership between the Parties or to impose any partnership

obligation or liability upon either Party. Neither Party has any right, power, or authority to enter any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party except as provided in Section 9.A.

~~L~~N. No State Public Utility Created. This Agreement may not be interpreted or construed as modifying the jurisdictional status of ~~the Midwest ISO~~MISO, including, but not limited to establishment of ~~the Midwest ISO~~MISO as a state public utility under the laws of any jurisdiction, as a result of ~~the Midwest ISO's~~MISO's performance under this Agreement.

~~M~~O. Construction. In this Agreement, the following rules of construction apply, unless expressly provided otherwise or unless the context clearly requires otherwise:

(1) The singular includes the plural, and the plural includes the singular.

(2) The present tense includes the future tense, and the future tense includes the present tense.

(3) Words importing any gender include the other gender.

(4) The word "shall" denotes a duty.

(5) The word "must" denotes a condition precedent or subsequent.

(6) The word "may" denotes a privilege or discretionary power.

(7) The phrase "may not" denotes a prohibition.

(8) References to statutes, tariffs, regulations or the ~~Midwest ISO~~MISO Tariff include all provisions consolidating, amending, or replacing the statutes, tariffs, regulations or the ~~Midwest ISO~~MISO Tariff referred to.

(9) References to "writing" include printing, typing, lithography, and other means of reproducing words in a tangible visible form.

(10) The words "including," "includes," and "include" are deemed to be followed by the words "without limitation."

(11) Any reference to a day, week, month or year is to a calendar day, week, month or year unless otherwise indicated.

(12) References to Articles, Sections (or subdivisions of Sections), Exhibits, annexes or schedules are to this Agreement, unless expressly stated otherwise.

(13) Unless expressly stated otherwise, references to agreements, the ~~Midwest ISO~~MISO Tariff and other contractual instruments include all subsequent amendments and other modifications to the instruments, but only to the extent the amendments and other modifications are not prohibited by this Agreement.

(14) References to persons or entities include their respective successors and permitted assigns and, for governmental entities, entities succeeding to their respective functions and capacities.

(15) References to time are to Eastern Standard Time.

(16) References to any capitalized ~~work~~word or phrase not defined herein shall have the meanings from the ~~Midwest ISO~~MISO Tariff.

~~N~~P. Multiple Counterparts. This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

SIGNED, ACCEPTED AND AGREED TO by each undersigned signatory who, by signature hereto, represents and warrants that he or she has full power and authority to execute this Agreement.

Midwest Independent Transmission System Operator, Inc.:

~~By:~~ _____

By: */s/ Richard Doying*

Name: _____Richard Doying

Title: _____Vice President of Operations

Date: _____ 10/4/2012

Participant:

~~By:~~ _____

By: */s/ Michael Furmanski*

Name: Mr. Michael Furmanski

Title: Electrical Superintendent, City of Escanaba

Date: 10/5/2012

EXHIBIT 1

Detailed Description of SSR ~~Unit~~Units

~~*[Describe Generation Unit/SCU more specifically]*~~

EXHIBIT 2

Description of ~~Cost Allocations for SSR Unit~~ Compensation for SSR Units

~~*[Describe how the costs that will be paid to the owner or operator of the SSR Unit will be allocated.]*~~

~~EXHIBIT 3~~

~~Description of SSR Unit Going Forward Compensation~~

~~*[Describe how the costs that will be paid to the owner or operator of the SSR Unit will be calculated.]*~~

Pursuant to Section 9(B) of the Agreement, MISO shall pay Participant a monthly payment of $309,190, representing monthly allocations of the Annual SSR Amount calculated below (the "Monthly SSR Payment") for each month during the term of the SSR Agreement. Each such Monthly SSR Payment shall be made regardless of dispatch of the SSR Units during that month. If this SSR Agreement is terminated effective during the course of a calendar month, such Monthly SSR Payment shall be prorated for that month.

In addition, Pursuant to Section 9.D of the Agreement, MISO shall pay Participant $71.57 per MWh (the "Dispatch Price") in each instance that MISO dispatches the SSR Units for system reliability. Through the MISO settlement process, MISO will make the applicable make-whole payment to Participant in hours when the applicable market-clearing price is less than the Dispatch Price (such make-whole payment to be equal to the difference between the Dispatch Price and the market-clearing price), and MISO will debit from Participant's settlement statements for each hour in which the applicable market-clearing price is above the Dispatch Price (such debit to be equal to the difference between the Dispatch Price and the market-clearing price). In addition, whenever the Escanaba SSR Units operate in the MISO Market for purposes other than system reliability, any energy market revenues in excess of incremental costs measured by the positive difference between the LMP and $71.57 per MWh, plus any Operating Reserve revenues and revenues from Planning Resource designation, will be debited from Participant's settlement statements.

The compensation provided for under this Agreement may be further modified pursuant to Section 9.G of the Agreement.

Summary of Fixed Steam Generation Costs for Escanaba Units							
Fiscal Year 2012-13							
	For purposes of the SSR Agreement, variable generation costs (coal, diesel fuel and ash disposal) are not included in the summary below, as these costs will be reimbursed under Dispatch Price terms of this Exhibit 2..						
	No costs related to CT operations have been included in the summary columns, in that the CT operations were not included in the Attachment Y application. Any costs associated with the operation of that unit will be reimbursed under normal market operations. .						
			F/Y 08/09	F/Y 09/10	F/Y 10/11	F/Y 11/12	F/Y 12/13
	Operations & Maintenance		$3,758,494	$3,876,150	$4,645,167	$3,948,382	$3,481,515

	Management Fee			45,072	39,789	47,738	50,003	50,000
	Plant Insurance			0	85,740	91,217	238,101	178,764
	Steam Plant Depreciation			381,836	406,562	523,985	276,103	0
				$4,185,402	$4,408,241	$5,308,107	$4,512,589	$3,710,279
						Annual SSR	**Amount**	**$3,710,279**

Exhibit B

SA 6500 The City of Escanaba – MISO SSR Version 0.0.0 Effective: 6/15/2012

Original Service Agreement No. 6500

ATTACHMENT Y-1

System Support Resource ("SSR") Agreement

Between

The City of Escanaba

and

The Midwest Independent Transmission System Operator, Inc.

ATTACHMENT Y-1

System Support Resource ("SSR") Agreement

Between

The City of Escanaba

and

The Midwest Independent Transmission System Operator, Inc.

This SSR Agreement ("Agreement"), effective as of the 15th of June, 2012 ("Effective Date"), is entered into by and between The City of Escanaba, Michigan, a municipality ("Participant") and the Midwest Independent Transmission System Operator, Inc. ("MISO").

Recitals

WHEREAS:

A. Participant owns or operates a Generation Resource or a Synchronous Condenser Unit ("SCU") as defined in the MISO Tariff, and MISO requires Participant to supply service in the MISO Region in order to maintain the reliability of the Transmission System;

B. MISO is the Regional Transmission Organization ("RTO") for the MISO Region; and

C. The Parties enter into this Agreement in order to establish the terms and conditions by which MISO and Participant will discharge their respective duties and responsibilities under the MISO Tariff.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, MISO and Participant (the "Parties") hereby agree as follows:

Section 1. Unit-Specific Terms.

A. Start Date: June 15, 2012.

B. Start Time: 12:00 a.m.

C. Unit: Escanaba Steam Units 1 & 2.

The units described above may also be referred to as the "Designated Units" or "Units" or "SSR Units" in this Agreement.

D. Description of Units: The Units are located at the Escanaba Generating Station, as may be described in more detail on Exhibit 1 attached hereto. If Unit is a combined cycle Generation Resource, indicate the Unit's operational capability consistent with the requirements of the MISO Tariff.

E. Name Plate Information for SSR Units:

(a) SSR Capacity in MW: 12.5 MW for each of the Units

(b) Power Factor Lagging

(i) 0.9 P.F. (at Generator Main Leads)

(ii) _____ P.F. (at high side of Main Power Transformer)

(c) Power Factor Leading

(i) 0.9 P.F. (at Generator Main Leads)

(ii) _____ P.F. (at high side of Main Power Transformer)

F. Delivery Point: UPPC.ESCST1 and UPPC.ESCST2

G. Revenue Meter Location (Use Resource IDs): [Not applicable]

H. Operational and Environmental Limitations (check and describe all that apply):

SSR Unit:

(a) Operational

☒ Maximum annual hours of operation: 8,500

☒ Maximum annual MWh: 145,000

☒ Maximum annual starts: the number of starts as required by MISO for system reliability.

☐ Other: _____

(b) Environmental

☐ Maximum annual NO_x emissions: _____

☒ Maximum annual SO_2 emissions: Coal Spec 1.5% Sulfur by weight for 12,000 Btud/lb.

☒ Other: particulate 0.3 lbs / 1,000 lbs exhaust gas corrected to 50% excess air Opacity <20% Opacity for 6 minute average

Section 2. Definitions.

A. Unless herein defined, all definitions and acronyms found in the MISO Tariff shall be incorporated by reference into this Agreement.

B. "MISO Tariff" shall mean the document adopted by MISO, including any attachments or exhibits referenced in that document, as amended from time to time, that contains the scheduling, operating, planning, reliability, and settlement (including customer registration) policies, rules, guidelines, procedures, standards, and criteria of MISO. For the purposes of determining responsibilities and rights at a given time, the MISO Tariff, as amended in accordance with the change procedure(s) described in the MISO Tariff, in effect at the time of the performance or non-performance of an action, shall govern with respect to that action.

Section 3. Term and Termination.

A. Term.

(1) This Agreement is effective beginning on the Effective Date.

(2) The "Term" of this Agreement is a period of 12 months; provided, however, that MISO, in its sole discretion, may terminate or extend this Agreement prior to the end of the Term by giving ninety (90) days advance written notice to Participant.

(3) The period beginning on the Start Date and ending when the Agreement terminates is called the "Full Term" of this Agreement.

(4) An Initial Term may be extended by MISO if MISO provides at least ninety (90) days advance notice of such extension to the Participant.

B. Termination by Participant. Participant may, at its option, immediately terminate this Agreement upon the failure of MISO to continue to be certified by the Federal Energy Regulatory Commission ("FERC" or the "Commission") as an RTO.

C. Effect of Termination and Survival of Terms. If this Agreement is terminated by a Party pursuant to the terms hereof, the rights and obligations of the Parties hereunder shall terminate, except that the rights and obligations of the Parties that have accrued under this Agreement prior to the date of termination shall survive.

D. Notice. All notices required to be given under this Agreement shall be in writing, and shall be deemed delivered three (3) days after being deposited in the U.S. mail, first class postage prepaid, registered (or certified) mail, return receipt requested, addressed to the other Party at the address specified in this Agreement or shall be deemed delivered on the day of receipt if sent in another manner requiring a signed receipt, such as courier delivery or Federal Express delivery, or if sent during regular business hours by facsimile or electronic communication. Either Party may change its address for such notices by delivering to the other Party a written notice referring specifically to this Agreement. Notices required hereunder shall be in accordance with the applicable Sections of the MISO Tariff.

If to MISO:

720 City Center Drive
Carmel, IN 46032
Tel. No. (317) 249-5400

If to Participant:

Mr. Michael Furmanski
Electrical Superintendent
City of Escanaba
1711 Sheridan Road
Escanaba, MI 49829
Phone: 906-768-0061
email: mfurmanski@escanaba.org

E. Transfer of Ownership of SSR Units. Both Parties recognize that Participant has been negotiating to transfer ownership of the SSR Units to a new owner. In connection with completion of the transfer of ownership, Participant, MISO, and the new owner shall enter into a written agreement pursuant to which Participant shall assign and the new owner shall assume and agree to be bound by Participant's obligations under this Agreement, including , but not limited to, Section 8.A.

F. Termination Upon Conversion of SSR Unit. MISO and Participant agree that MISO shall have the right to immediately terminate this SSR Agreement upon commencement of a planned outage for the purpose of conversion of one of the SSR Units to an alternative fuel source. Participant agrees to provide MISO with written notification of such planned outage, which will include a schedule for all outages to accommodate the complete conversion, in addition to submittal of the outage request via the MISO's outage scheduling system in accordance with the MISO Business Practices Manual applicable to

Generator Planned Outage scheduling. MISO shall exercise discretion to continue the SSR Agreement based upon the availability of the SSR Units to support system reliability during the proposed conversion schedule, and the continued need for the SSR Units. If only one of the two SSR Units is converted, then MISO and Participant will re-negotiate the compensation provided for in Exhibit 2. Conversion of the SSR Units shall not prevent a new owner from using the SSR provisions found in Section 38.2.7 of the Tariff to request SSR status for the converted facility.

Section 4. Representations, Warranties, and Covenants.

A. Participant represents, warrants, and covenants that:

(1) Participant is duly organized, validly existing and in good standing under the laws of the jurisdiction under which it is organized, and is authorized to do business in the MISO Region;

(2) Participant has full power and authority to enter into this Agreement and perform all of Participant's obligations, representations, warranties, and covenants under this Agreement;

(3) Participant's past, present and future agreements or Participant's organizational charter or bylaws, if any, or any provision of any indenture, mortgage, lien, lease, agreement, order, judgment, or decree to which Participant is a party or by which its assets or properties are bound do not materially affect performance of Participant's obligations under this Agreement;

(4) The execution, delivery and performance of this Agreement by Participant have been duly authorized by all requisite action of its governing body;

(5) Except as set out in an exhibit (if any) to this Agreement, MISO has not, within the twelve (12) months preceding the Effective Date, terminated for Default any Prior

Agreement with Participant, any company of which Participant is a successor in interest, or any Affiliate of Participant;

(6) If any Defaults are disclosed on any such exhibit mentioned in subsection 4.A(5), either (a) MISO has been paid, before execution of this Agreement, all sums due to it in relation to such Prior Agreement, or (b) MISO, in its reasonable judgment, has determined that this Agreement is necessary for the reliability of the Transmission System, and Participant has made alternate arrangements satisfactory to MISO for the resolution of the Default under the Prior Agreement; Participant is a successor in interest or any Affiliates of Participant;

(7) Participant has obtained, or will obtain prior to beginning performance under this Agreement, all licenses, registrations, certifications, permits and other authorizations and has taken, or will take prior to beginning performance under this Agreement, all actions required by applicable laws or governmental regulations except licenses, registrations, certifications, permits or other authorizations that do not materially affect performance under this Agreement;

(8) Participant is not in violation of any laws, ordinances, or governmental rules, regulations or order of any Governmental Authority or arbitration board materially affecting performance of this Agreement and to which it is subject;

(9) Participant is not Bankrupt, does not contemplate becoming Bankrupt nor, to its knowledge, will become Bankrupt;

(10) Participant acknowledges that it has received and is familiar with the MISO Tariff; and

(11) Participant acknowledges and affirms that the foregoing representations, warranties, and covenants are continuing in nature throughout the term of this Agreement. For

purposes of this Section, "materially affecting performance" means resulting in a materially adverse effect on Participant's performance of its obligations under this Agreement.

B. MISO represents, warrants, and covenants that:

(1) MISO is the RTO certified under 18 C.F.R. §35.34 for the MISO Region and the subject Generation Resource/SCU is located within the MISO Region;

(2) MISO is duly organized, validly existing and in good standing under the laws of Delaware, and is authorized to do business in the MISO Region;

(3) MISO has full power and authority to enter into this Agreement and perform all of MISO's obligations, representations, warranties, and covenants under this Agreement;

(4) MISO's past, present and future agreements or MISO's organizational charter or bylaws, if any, or any provision of any indenture, mortgage, lien, lease, agreement, order, judgment, or decree to which MISO is a party or by which its assets or properties are bound do not materially affect performance of MISO's obligations under this Agreement;

(5) The execution, delivery and performance of this Agreement by MISO have been duly authorized by all requisite action of its governing body;

(6) MISO has obtained, or will obtain prior to beginning performance under this Agreement, all licenses, registrations, certifications, permits and other authorizations and has taken, or will take prior to beginning performance under this Agreement, all actions required by applicable laws or governmental regulations except licenses, registrations, certifications, permits or other authorizations that do not materially affect performance under this Agreement;

(7) MISO is not in violation of any laws, ordinances, or governmental rules, regulations or order of any Governmental Authority or arbitration board materially affecting performance of this Agreement and to which it is subject;

(8) MISO is not Bankrupt, does not contemplate becoming Bankrupt nor, to its knowledge, will become Bankrupt; and

(9) MISO acknowledges and affirms that the foregoing representations, warranties, and covenants are continuing in nature throughout the term of this Agreement. For purposes of this Section, "materially affecting performance," means resulting in a materially adverse effect on MISO's performance of its obligations under this Agreement.

Section 5. Participant Obligations.

Participant shall comply with, and be bound by, the MISO Tariff as it pertains to the provision of SSR Service.

Section 6. MISO Obligations.

MISO shall comply with, and be bound by, all MISO Tariff provisions.

Section 7. Capacity Tests for SSR Units.

A. If the SSR Units are designated as Capacity Resources pursuant to Module E-1 of the MISO Tariff, then the capacity test provisions of Module E-1 shall apply. If the SSR Units are not so designated, the provisions of Section 7(B) of this Agreement shall apply.

B. Capacity Tests.

(1) A "Capacity Test" is a one-hour performance test of the SSR Units by Participant. The capacity as shown by a Capacity Test is called "Tested Capacity" and is determined by the applicable net meter readings during the Capacity Test.

(2) MISO may require that a Capacity Test be run at MISO's discretion at any time when the SSR Units are on-line, but MISO may not require more than four (4) Capacity Tests in a contract year. MISO must give Participant at least two (2) hours advance notice, after the SSR Units are on line, of a Capacity Test required by MISO, unless Participant agrees to less than two (2) hours. Participant may perform as many Capacity Tests as it desires, but Participant may not perform a Capacity Test without the prior approval of MISO, which approval MISO may not unreasonably withhold or delay. The Parties will reasonably cooperate to coordinate a Capacity Test. MISO has the right to reasonable advance notice of, and to have personnel present during, a Capacity Test.

(3). Test Report. MISO shall give the Capacity Test results in writing (the "Capacity Test Report") to Participant within twenty-four (24) hours after the test is run.

(4). Effect of Test.

(a) A determination of Tested Capacity is effective as of the beginning of the hour in which the Capacity Test is started.

(b) For all hours in which Tested Capacity is less than SSR Capacity, then Billing Capacity is reduced as set out in Section 9.F below and remains so reduced until a subsequent Capacity Test establishes that Tested Capacity equals or exceeds SSR Capacity

(c) After the Effective Date, MISO shall dispatch, as part of SSR energy, the electrical energy and/or reactive power produced by the SSR Units,

including ramping energy and/or reactive power, during a Capacity Test requested by MISO, net of auxiliary equipment and other electrical requirements of the SSR Units that are supplied by the SSR Units. MISO shall also dispatch, as part of SSR energy, any electrical energy and/or reactive power produced by the SSR Units during a Capacity Test requested by Participant to attempt to show that Tested Capacity equals or exceeds SSR Capacity, net of auxiliary equipment and other electrical requirements of the SSR Units that are supplied by the SSR Units.

Section 8. Operation.

A. Designated Unit Maintenance. Before the start of each contract year, Participant shall furnish MISO with its proposed schedule for Generator Planned Outages for inspection, repair, maintenance, and overhaul of the Designated Units for the contract year, in accordance with MISO's outage scheduling system. MISO shall approve or reject Generation Planned Outages in accordance with MISO's Business Practices Manual. MISO shall, if requested by Participant, endeavor to accommodate changes to the schedule to the extent that reliability of the MISO System is not materially affected by those changes. In all cases, MISO must find a time for Participant to perform maintenance in a reasonable timeframe as defined by Good Utility Practice.

B. Planning Data. Participant shall timely report to MISO those items and conditions necessary for MISO's internal planning and compliance with MISO's guidelines in effect from time to time. The information supplied must include, without limitation, the following:

(1) Availability Plan (*i.e.* Day-Ahead Offer) for the next day in accordance with Tariff deadlines;

(2) Revised Availability Plan reflecting changes in the Availability Plan in accordance with Tariff deadlines; and

(3) Status of Designated Units with respect to Environmental Limitations, if any. MISO shall timely report to Participant the status of the Designated Units with respect to Operational Limitations.

C. Delivery.

(1) MISO shall notify Participant of the hours and levels, if any, that the SSR Units are to operate through day-ahead commitment and real-time dispatch for system reliability. The set point in the real-time dispatch shall be considered the "Delivery Plan" for the purposes of this Agreement. MISO shall not notify Participant to operate the SSR Unit in a way that would violate the limitations on operation set out in Section 1 above. Notwithstanding the foregoing, Participant shall be able to offer its capacity into the MISO Energy & Ancillary Services Markets outside of the Delivery Plan when the SSR Units are not needed to address the reliability issues pertaining to this Agreement, consistent with Section 38.2.7(g) of the Tariff. Such offers into MISO Markets shall be cost-based, including but not limited to Start-Up, No Load and Energy Offers.

(2) Participant shall produce and deliver electrical energy and/or reactive power from the SSR Units to the Delivery Point at the levels specified in the Delivery Plan.

(3) MISO may dispatch the SSR Units when necessary to ensure transmission system security, including any emergency situation. MISO may not dispatch the Designated Unit if compliance with the dispatch would cause the Designated Unit to exceed the Operational and Environmental Limitations, if any, set forth in Section 1 above or at levels greater than are shown in the Availability Plan.

Notwithstanding the foregoing, Participant retains the responsibility for operating the SSR Units in accordance with limits provided by applicable law.

(4) During the hours of operation of the SSR Units specified in the Delivery Plan, Participant may only participate in the MISO Energy and Ancillary Services Markets from the SSR Units in accordance with the relevant conditions in the MISO Tariff.

Section 9. Payment Provisions.

A. For the transfer of any funds under this Agreement directly between MISO and Participant and pursuant to the Settlement procedures described in the MISO Tariff, the following shall apply:

(1) Participant appoints MISO to act as its agent with respect to such funds transferred and authorizes MISO to exercise such powers and perform such duties as described in this Agreement or the MISO Tariff, together with such powers or duties as are reasonably incidental thereto.

(2) MISO shall not have any duties, responsibilities to, or fiduciary relationship with Participant and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement except as expressly set forth herein or in the MISO Tariff.

B. Availability Payments for the SSR Units. MISO shall make to Participant monthly availability payments to ensure the SSR Units are available to produce reactive power and, when required, real energy, pursuant to the terms of Exhibit 2 to this Agreement. The amount of the monthly availability payment shall be the Monthly SSR Payment as defined in Exhibit 2.

C. Schedule 2 Payments for SSR Units. SSR Units shall recover costs associated with Reactive Supply and Voltage Control Services through Schedule 2. Schedule 2 compensation shall be provided along with other compensation to encourage parties not to decommission, place into extended reserve shutdown or disconnect potential SSR Units.

D. Dispatch Payments. In addition to the availability payments described in Section 9(B), MISO shall also compensate Participant for each dispatch of the SSR Units pursuant to the terms of Exhibit 2 to this Agreement.

E. Settlement Provisions for the SSR Units. At the conclusion of each calendar month, MISO shall conduct a settlement process for the SSR Unit(s), consistent with the MISO Tariff requirements.

F. Performance-Related Payment Adjustments.

(1) For the SSR Units, a "Misconduct Event" means any hour or hours during which Participant is requested to, but does not, deliver to MISO electrical energy and/or reactive power which is one (1) megawatt or more less than the level shown in the Delivery Plan.

(2) Each day that a Misconduct Event continues after Participant receives written notice from MISO of the Misconduct Event is a separate Misconduct Event. A Misconduct Event is measured on a daily basis.

(3) Participant is excused from the Misconduct Event payment reduction arising from any Misconduct Event that is (a) not due to intentionally incomplete, inaccurate, or dishonest reporting to MISO by Participant of the availability of the Designated Units, or (b) caused by a failure of the MISO Transmission Grid.

(4) If a Misconduct Event is not excused, then to reflect this lower-than-expected quality of firmness, MISO's payments to Participant are reduced by the Unexcused Misconduct Amount of no more than $10,000 per day for both units.

(5) MISO shall inform Participant in writing of its determination if a Misconduct Event is unexcused.

(6) MISO may offset any amounts due by Participant to MISO under this Section 9.E against any amounts due by MISO to Participant under this Agreement.

G. Compensation for Unanticipated Repairs. During the Term of this Agreement, any necessary repair or repairs to the SSR Unit(s) shall not entitle Participant to any additional compensation under this Agreement, except as provided herein. For the purposes of this Section, "unanticipated" repairs are those for which compensation is not provided for in the Annual SSR Amount contained in Exhibit 2 to this SSR Agreement. If the need arises to make an unanticipated repair to one or both of the SSR Units, Participant shall notify MISO before incurring said repair costs, together with reasonable information in support thereof. Upon such notification, MISO shall notify Participant either that (i) it elects to exercise its rights to terminate this Agreement; or (ii) it agrees to fund such repairs, subject to the terms of parts 1 and 2 of this Section 9.G. In no circumstances shall the costs of repairs authorized by MISO pursuant to this Agreement be the responsibility of Participant. Participant shall not be deemed to have a Misconduct Event, nor shall Participant be subject to any other performance penalties under this Agreement or the MISO Tariff for the period of time after Participant notifies MISO of the need for repairs as provided in this Section 9.G and MISO provides to Participant written notification that it agrees to fund the

costs of such repairs and directs Participant to make such repairs. MISO and Participant agree that unanticipated repairs in this Section 9.G shall not include the costs of converting the SSR Units from coal to an alternative fuel.

1. **Non-Emergency Repairs**. Except as provided for in part 2 of this Section 9(G), before MISO may issue a notice to fund unanticipated repairs, MISO shall make and receive approval of a Federal Power Act ("FPA") Section 205 filing at the Commission to modify this Agreement to provide for the recovery of such repair costs and shall serve such filing on all parties to whom such repair costs would be allocated. Participant shall not make such unanticipated repairs unless and until MISO informs Participant in writing that it agrees to fund such repairs and has received FERC approval to modify this Agreement to provide for the recovery of such costs.

2. **Emergency Repairs.** If MISO reasonably believes that system security and reliability require any unanticipated repairs to be made before FERC can act on a Section 205 filing ("Emergency Repairs"), MISO shall so notify Participant in writing and direct Participant to make such Emergency Repairs and MISO shall agree to fund such Emergency Repairs, and make a Section 205 filing at FERC as soon as reasonably practicable thereafter to modify this Agreement to provide for recovery of such repair costs. In the case of Emergency Repairs, if FERC later determines MISO's decision to fund such Emergency Repairs was imprudent or otherwise does not accept such modifications to the Agreement, the costs of the Emergency Repairs shall be allocated pursuant to the terms of the MISO Tariff.

H. Allocation of SSR Compensation.

(1) MISO will charge the LSEs that benefit from operation of the subject SSR Unit in accordance with Schedule 43.

Section 10. Default.

A. Event of Default.

(1) Failure to make payment or transfer funds as provided in the MISO Tariff shall constitute a material breach and shall constitute an event of default ("Default") unless cured within three (3) Business Days after delivery by the non-breaching Party of written notice of the failure to the breaching Party. Provided further that if such a material breach, regardless of whether such breach is cured within the allotted time after notice of the material breach, occurs more than three (3) times within a rolling twelve (12)-month period, the fourth such breach shall constitute a Default by the breaching Party.

(2) For any material breach other than a failure to make payment or transfer funds, the occurrence and continuation of any of the following events shall constitute an event of Default by Participant:

(a) Except as excused under subsection (4) or (5) below, a material breach, other than a failure to make payment or transfer funds, of this Agreement by Participant, including any material failure by Participant to comply with the MISO Tariff, unless cured within fourteen (14) Business Days after delivery by MISO of written notice of the material breach to Participant. Participant must begin work or other efforts within three (3) Business Days to cure such material breach after delivery by MISO of written notice of such material breach by Participant and must prosecute such work or other efforts

with reasonable diligence until the breach is cured. Provided further that if a material breach, regardless of whether such breach is cured within the allotted time after notice of the material breach, occurs more than three (3) times within a rolling twelve (12)-month period, the fourth (4th) such breach shall constitute a Default.

(b) Participant becomes Bankrupt, except for the filing of a petition in involuntary bankruptcy, or similar involuntary proceedings that is dismissed within ninety (90) days thereafter.

(c) The Designated Unit's operation is abandoned without intent to return it to operation during the Full Term; or

(d) Three or more unexcused Misconduct Events occur during a contract year.

(3) Except as excused under subsection (4) or (5) below, a material breach of this Agreement by MISO, including any material failure by MISO to comply with the MISO Tariff, other than a failure to make payment or transfer funds, shall constitute a Default by MISO unless cured within fourteen (14) Business Days after delivery by Participant of written notice of the material breach to MISO. MISO must begin work or other efforts within three (3) Business Days to cure such material breach after delivery by Participant of written notice of such material breach by MISO and must prosecute such work or other efforts with reasonable diligence until the breach is cured. Provided further that if a material breach, regardless of whether such breach is cured within the allotted time after notice of the material breach, occurs more than

three (3) times within a rolling twelve (12)-month period, the fourth such breach shall constitute a Default.

(4) For any material breach other than a failure to make payment or transfer funds, the breach shall not result in a Default if the breach cannot reasonably be cured within fourteen (14) calendar days, prompt written notice is provided by the breaching Party to the other Party, and the breaching Party began work or other efforts to cure the breach within three (3) Business Days after delivery of the notice to the breaching Party and prosecutes the curative work or efforts with reasonable diligence until the curative work or efforts are completed.

(5) If, due to a Force Majeure Event, a Party is in breach with respect to any obligation hereunder, such breach shall not result in a Default by that Party.

B. Remedies for Default.

(1) MISO's Remedies for Default. In the event of a Default by Participant, MISO may pursue any remedies MISO has under this Agreement, at law, or in equity, subject to the provisions of Section 12: Dispute Resolution of this Agreement. In the event of a Default by Participant, if the MISO Tariff does not specify a remedy for a particular Default, MISO may, at its option, upon written notice to Participant, immediately terminate this Agreement, with termination to be effective upon the date of delivery of notice.

(2) Participant's Remedies for Default.

(a) Unless otherwise specified in this Agreement or in the MISO Tariff, and subject to the provisions of Section 12: Dispute Resolution of this

Agreement, in the event of a Default by MISO, Participant's remedies shall be limited to:

(i) Immediate termination of this Agreement upon written notice to MISO,

(ii) Monetary recovery in accordance with the Settlement procedures set forth in the MISO Tariff, and

(iii) Specific performance.

(b) However, in the event of a material breach by MISO of any of its representations, warranties or covenants, Participant's sole remedy shall be immediate termination of this Agreement upon written notice to MISO.

(c) If as a final result of any dispute resolution MISO, as the settlement agent, is determined to have over-collected from a Market Participant(s), with the result that refunds are owed by Participant to MISO, as the settlement agent such Market Participant(s) may request MISO to allow such Market Participant to proceed directly against Participant, in lieu of receiving full payment from MISO. In the event of such request, MISO, in its sole discretion, may agree to assign to such Market Participant MISO's rights to seek refunds from Participant, and Participant shall be deemed to have consented to such assignment. This subsection (c) shall survive termination of this Agreement.

(3) A Default or breach of this Agreement by a Party shall not relieve either Party of the obligation to comply with the MISO Tariff.

C. Force Majeure.

(1) If, due to a Force Majeure Event, either Party is in breach of this Agreement with respect to any obligation hereunder, such Party shall take reasonable steps, consistent with Good Utility Practice, to remedy such breach. If either Party is unable to fulfill any obligation by reason of a Force Majeure Event, it shall give notice and the full particulars of the obligations affected by such Force Majeure Event to the other Party in writing or by telephone (if followed by written notice) as soon as reasonably practicable, but not later than fourteen (14) calendar days, after such Party becomes aware of the event. A failure to give timely notice of the Force Majeure event shall constitute a waiver of the claim of Force Majeure Event. The Party experiencing the Force Majeure Event shall also provide notice, as soon as reasonably practicable, when the Force Majeure Event ends.

(2) Notwithstanding the foregoing, a Force Majeure Event does not relieve a Party affected by a Force Majeure Event of its obligation to make payments or of any consequences of non-performance pursuant to the MISO Tariff or under this Agreement, except that the excuse from Default provided by subsection 10.A(5) above is still effective.

D. Duty to Mitigate. Except as expressly provided otherwise herein, each Party shall use commercially reasonable efforts to mitigate any damages it may incur as a result of the other Party's performance or non-performance of this Agreement.

Section 11. Limitation of Damages and Liability and Indemnification.

A. EXCEPT AS EXPRESSLY LIMITED IN THIS AGREEMENT OR MISO BUSINESS PRACTICES, MISO OR PARTICIPANT MAY SEEK FROM THE OTHER, THROUGH APPLICABLE DISPUTE RESOLUTION PROCEDURES SET FORTH IN MISO

PROTOCOLS, ANY MONETARY DAMAGES OR OTHER REMEDY OTHERWISE ALLOWABLE UNDER INDIANA LAW, AS DAMAGES FOR DEFAULT OR BREACH OF THE OBLIGATIONS UNDER THIS AGREEMENT; PROVIDED, HOWEVER, THAT NEITHER PARTY IS LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES OR INJURY THAT MAY OCCUR, IN WHOLE OR IN PART, AS A RESULT OF A DEFAULT UNDER THIS AGREEMENT, A TORT, OR ANY OTHER CAUSE, WHETHER OR NOT A PARTY HAD KNOWLEDGE OF THE CIRCUMSTANCES THAT RESULTED IN THE SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES OR INJURY, OR COULD HAVE FORESEEN THAT SUCH DAMAGES OR INJURY WOULD OCCUR.

B. The Parties have expressly agreed that, other than subsections A and B of this Section, this Agreement shall not include any other limitations of liability or indemnification provisions, and that such issues shall be governed solely by applicable law, in a manner consistent with the Choice of Law and Venue subsection 13.A of this Agreement, regardless of any contrary provisions that may be included in or subsequently added to the MISO Tariff (outside of this Agreement).

Section 12. Dispute Resolution.

A. In the event of a dispute, including a dispute regarding a Default, under this Agreement, Parties to this Agreement shall first attempt resolution of the dispute using the applicable dispute resolution procedures set forth in the MISO Tariff.

B. In the event of a dispute, including a dispute regarding a Default, under this Agreement, each Party shall bear its own costs and fees, including, but not limited to attorneys' fees, court costs, and its share of any mediation or arbitration fees.

Section 13. Miscellaneous.

A. Choice of Law and Venue. Notwithstanding anything to the contrary in this Agreement, this Agreement shall be deemed entered into in Delaware and, with the exception of matters governed exclusively by federal law, shall be governed by and construed and interpreted in accordance with the laws of the State of Delaware that apply to contracts executed in and performed entirely within the State of Delaware, without reference to any rules of conflict of laws. Neither Party waives primary jurisdiction as a defense; provided that any court suits regarding this Agreement shall be brought in a state or federal court located within Delaware, and the Parties hereby waive any defense of *forum non-conveniens*.

B. Assignment.

(1) Notwithstanding anything herein to the contrary, a Party shall not assign or otherwise transfer all or any of its rights or obligations under this Agreement without the prior written consent of the other Party, which shall not be unreasonably withheld or delayed, except that a Party may assign or transfer its rights and obligations under this Agreement without the prior written consent of the other Party (if neither the assigning Party or the assignee is then in Default of any Agreement with MISO):

(a) Where any such assignment or transfer is to an Affiliate of the Party; or

(b) Where any such assignment or transfer is to a successor to or transferee of the direct or indirect ownership or operation of all or part of the Party, or its facilities, provided that the Party, successor or transferee and MISO enter into a written agreement pursuant to which the Party assigns and the successor or

transferee assumes and agrees to be bound by all of the Party's obligations under this Agreement; or

(c) For collateral security purposes to aid in providing financing for itself, provided that the assigning Party will require any secured party, trustee or mortgagee to notify the other Party of any such assignment. Any financing arrangement entered into by either Party pursuant to this Section will provide that prior to or upon the exercise of the secured party's, trustee's or mortgagee's assignment rights pursuant to said arrangement, the secured creditor, the trustee or mortgagee will notify the other Party of the date and particulars of any such exercise of assignment right(s). If requested by the Party making any such collateral assignment to a Financing Person, the other Party shall execute and deliver a consent to such assignment containing customary provisions, including representations as to corporate authorization, enforceability of this Agreement and absence of known Defaults, notices of Default, and an opportunity for the Financing Person to cure Defaults.

(2) An assigning Party shall provide prompt written notice of the assignment to the other Party. Any attempted assignment that violates this Section is void and ineffective. Any assignment under this Agreement shall not relieve either Party of its obligations under this Agreement, nor shall either Party's obligations be enlarged, in whole or in part, by reason thereof, provided that in the case of an assignment or transfer pursuant to Section 13(B)(1)(b), the assigning Party shall be released from all obligations under the Agreement if: (i) the successor or transferee is a Market Participant pursuant to the MISO Tariff; and (ii) the successor or transferee, Participant and MISO enter into a written agreement pursuant to which Participant is released from and the successor or

transferee assumes and agrees to be bound by all of Participant's obligations under this Agreement, including, but not limited to, Section 8(A).

C. No Third Party Beneficiary. Except with respect to the rights of other Market Participants in Section 10.B and the Financing Persons in Section 13.B, (1) nothing in this Agreement nor any action taken hereunder shall be construed to create any duty, liability or standard of care to any third party, (2) no third party shall have any rights or interest, direct or indirect, in this Agreement or the services to be provided hereunder and (3) this Agreement is intended solely for the benefit of the Parties, and the Parties expressly disclaim any intent to create any rights in any third party as a third-party beneficiary to this Agreement or the services to be provided hereunder. Nothing in this Agreement shall create a contractual relationship between one Party and the customers of the other Party, nor shall it create a duty of any kind to such customers.

D. No Waiver. Parties shall not be required to give notice to enforce strict adherence to all provisions of this Agreement. No breach or provision of this Agreement shall be deemed waived, modified or excused by a Party unless such waiver, modification or excuse is in writing and signed by an authorized officer of such Party. The failure by or delay of either Party in enforcing or exercising any of its rights under this Agreement shall (1) not be deemed a waiver, modification or excuse of such right or of any breach of the same or different provision of this Agreement, and (2) not prevent a subsequent enforcement or exercise of such right. Each Party shall be entitled to enforce the other Party's covenants and promises contained herein, notwithstanding the existence of any claim or cause of action against the enforcing Party under this Agreement or otherwise.

E. Headings. Titles and headings of paragraphs and sections within this Agreement are provided merely for convenience and shall not be used or relied upon in construing this Agreement or the Parties' intentions with respect thereto.

F. Severability. In the event that any of the provisions, or portions or applications thereof, of this Agreement is held to be unenforceable or invalid by any court of competent jurisdiction, that determination shall not affect the enforceability or validity of the remaining portions of this Agreement, and this Agreement shall continue in full force and effect as if it had been executed without the invalid provision; provided, however, if either Party determines, in its sole discretion, that there is a material change in this Agreement by reason thereof, the Parties shall promptly enter into negotiations to replace the unenforceable or invalid provision with a valid and enforceable provision. If the Parties are not able to reach an agreement as the result of such negotiations within fourteen (14) days, either Party shall have the right to terminate this Agreement on three (3) days written notice.

G. Entire Agreement. Any Exhibits attached to this Agreement are incorporated into this Agreement by reference and made a part of this Agreement as if repeated verbatim in this Agreement. This Agreement represents the Parties' final and mutual understanding with respect to its subject matter. It replaces and supersedes any prior agreements or understandings, whether written or oral. No representations, inducements, promises, or agreements, oral or otherwise, have been relied upon or made by any Party, or anyone on behalf of a Party, that are not fully expressed in this Agreement. An agreement, statement, or promise not contained in this Agreement is not valid or binding.

H. Amendment. The standard form of this Agreement may only be modified through the procedure for modifying MISO Tariff described in the MISO Tariff. Any changes to the

terms of the standard form of this Agreement shall not take effect until a new Agreement is executed between the Parties.

I. MISO's Right to Audit Participant. Participant shall keep detailed records of all activities under this Agreement giving rise to any information, statement, charge, payment or computation delivered to MISO under the MISO Tariff. Such records shall be retained and shall be available for audit or examination by MISO as hereinafter provided. MISO has the right during Business Hours and upon reasonable written notice and reasonable cause to examine the records of Participant as necessary to verify the accuracy of any such information, statement, charge, payment or computation made under this Agreement. If any such examination reveals any inaccuracy in any information, statement, charge, payment or computation, the necessary adjustments in such information, statement, charge, payment, computation, or procedures used in supporting its ongoing accuracy will be promptly made.

J. Participant's Right to Audit MISO. Participant's right to data and audit of MISO shall be as described in the MISO Tariff and shall not exceed the rights described in the MISO Tariff.

K. Further Assurances. Each Party agrees that during the term of this Agreement it will take such actions, provide such documents, do such things and provide such further assurances as may reasonably be requested by the other Party to permit performance of this Agreement.

L. Conflicts. This Agreement is subject to applicable federal, state, and local laws, ordinances, rules, regulations, orders of any Governmental Authority and tariffs. Nothing in this Agreement may be construed as a waiver of any right to question or contest any federal, state and local law, ordinance, rule, regulation, order of any Governmental Authority, or tariff. In the event of a conflict between this Agreement and an applicable

federal, state, and local law, ordinance, rule, regulation, order of any Governmental Authority or tariff, the applicable federal, state, and local law, ordinance, rule, regulation, order of any Governmental Authority or tariff shall prevail, provided that Participant shall give notice to MISO of any such conflict affecting Participant. In the event of a conflict between the MISO Tariff and this Agreement, the provisions expressly set forth in this Agreement shall control.

M. No Partnership. This Agreement may not be interpreted or construed to create an association, joint venture, or partnership between the Parties or to impose any partnership obligation or liability upon either Party. Neither Party has any right, power, or authority to enter any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party except as provided in Section 9.A.

N. No State Public Utility Created. This Agreement may not be interpreted or construed as modifying the jurisdictional status of MISO, including, but not limited to establishment of MISO as a state public utility under the laws of any jurisdiction, as a result of MISO's performance under this Agreement.

O. Construction. In this Agreement, the following rules of construction apply, unless expressly provided otherwise or unless the context clearly requires otherwise:

(1) The singular includes the plural, and the plural includes the singular.

(2) The present tense includes the future tense, and the future tense includes the present tense.

(3) Words importing any gender include the other gender.

(4) The word "shall" denotes a duty.

(5) The word "must" denotes a condition precedent or subsequent.

(6) The word "may" denotes a privilege or discretionary power.

(7) The phrase "may not" denotes a prohibition.

(8) References to statutes, tariffs, regulations or the MISO Tariff include all provisions consolidating, amending, or replacing the statutes, tariffs, regulations or the MISO Tariff referred to.

(9) References to "writing" include printing, typing, lithography, and other means of reproducing words in a tangible visible form.

(10) The words "including," "includes," and "include" are deemed to be followed by the words "without limitation."

(11) Any reference to a day, week, month or year is to a calendar day, week, month or year unless otherwise indicated.

(12) References to Articles, Sections (or subdivisions of Sections), Exhibits, annexes or schedules are to this Agreement, unless expressly stated otherwise.

(13) Unless expressly stated otherwise, references to agreements, the MISO Tariff and other contractual instruments include all subsequent amendments and other modifications to the instruments, but only to the extent the amendments and other modifications are not prohibited by this Agreement.

(14) References to persons or entities include their respective successors and permitted assigns and, for governmental entities, entities succeeding to their respective functions and capacities.

(15) References to time are to Eastern Standard Time.

(16) References to any capitalized word or phrase not defined herein shall have the meanings from the MISO Tariff.

P. Multiple Counterparts. This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

SIGNED, ACCEPTED AND AGREED TO by each undersigned signatory who, by signature hereto, represents and warrants that he or she has full power and authority to execute this Agreement.

SIGNED, ACCEPTED AND AGREED TO by each undersigned signatory who, by signature hereto, represents and warrants that he or she has full power and authority to execute this Agreement.

Midwest Independent Transmission System Operator, Inc.:

By: _____

Name: Richard Doying

Title: V.P. Operations

Date: 10/4/12

Participant:

By: Michael Furmanski

Name: Mr. Michael Furmanski

Title: Electrical Superintendent, City of Escanaba

Date: 10-5-12

EXHIBIT 1

Detailed Description of SSR Units

EXHIBIT 2

Description of Compensation for SSR Units

Pursuant to Section 9(B) of the Agreement, MISO shall pay Participant a monthly payment of $309,190, representing monthly allocations of the Annual SSR Amount calculated below (the "Monthly SSR Payment") for each month during the term of the SSR Agreement. Each such Monthly SSR Payment shall be made regardless of dispatch of the SSR Units during that month. If this SSR Agreement is terminated effective during the course of a calendar month, such Monthly SSR Payment shall be prorated for that month.

In addition, Pursuant to Section 9.D of the Agreement, MISO shall pay Participant $71.57 per MWh (the "Dispatch Price") in each instance that MISO dispatches the SSR Units for system reliability. Through the MISO settlement process, MISO will make the applicable make-whole payment to Participant in hours when the applicable market-clearing price is less than the Dispatch Price (such make-whole payment to be equal to the difference between the Dispatch Price and the market-clearing price), and MISO will debit from Participant's settlement statements for each hour in which the applicable market-clearing price is above the Dispatch Price (such debit to be equal to the difference between the Dispatch Price and the market-clearing price). In addition, whenever the Escanaba SSR Units operate in the MISO Market for purposes other than system reliability, any energy market revenues in excess of incremental costs measured by the positive difference between the LMP and $71.57 per MWh, plus any Operating Reserve revenues and revenues from Planning Resource designation, will be debited from Participant's settlement statements.

The compensation provided for under this Agreement may be further modified pursuant to Section 9.G of the Agreement.

Summary of Fixed Steam Generation Costs for Escanaba Units								
Fiscal Year 2012-13								
	For purposes of the SSR Agreement, variable generation costs (coal, diesel fuel and ash disposal) are not included in the summary below, as these costs will be reimbursed under Dispatch Price terms of this Exhibit 2..							
	No costs related to CT operations have been included in the summary columns, in that the CT operations were not included in the Attachment Y application. Any costs associated with the operation of that unit will be reimbursed under normal market operations. .							
				F/Y 08/09	F/Y 09/10	F/Y 10/11	F/Y 11/12	F/Y 12/13
	Operations & Maintenance			$3,758,494	$3,876,150	$4,645,167	$3,948,382	$3,481,515
	Management Fee			45,072	39,789	47,738	50,003	50,000

	Plant Insurance			0	85,740	91,217	238,101	178,764
	Steam Plant Depreciation			381,836	406,562	523,985	276,103	0
				$4,185,402	$4,408,241	$5,308,107	$4,512,589	$3,710,279
						Annual SSR	**Amount**	**$3,710,279**

Exhibit C

Report of Need and Alternatives
Escanaba Steam Units 1 and 2

Overview

The City of Escanaba owns the coal fired generating units known as Escanaba Steam Units 1 and 2. On December 19, 2011 and on February 10, 2012, The City of Escanaba sent letters to MISO requesting that Escanaba Steam Units 1 and 2 be permitted to shut-down for a thirty-six (36) month period beginning on June 15, 2012. In response to this request, MISO initiated an analysis to determine whether the subject facilities could be permitted to shut-down or whether the subject facilities were required for reliability purposes. The analysis determined that the subject facilities were required for reliability purposes for a limited period of time. Without the availability of these units, a single initiating event could result in an uncontrolled loss of load in the area. Given this analysis result, MISO carefully evaluated alternatives to designation of the subject facilities as SSR Units. MISO fully considered the consequences of entering into a System Support Resource ("SSR") Agreement, given that such an action is a backstop, last-resort measure to preserve system reliability.

As a part of this analysis, MISO investigated all available alternatives to entering into a SSR Agreement, with the goal of permitting The City of Escanaba to shut-down Escanaba Steam Units 1 and 2 or in the alternative, minimizing the required duration for an SSR Agreement between the City and MISO.

The MISO analysis determined that a feasible alternative to the SSR Agreement exists in a planned transmission upgrade that was approved by the MISO Board of Directors as a part of the MTEP 12 regional plan. This upgrade is expected to enter service on December 31, 2016 and will resolve the need for the SSR Units, as well as address other system reliability needs. As discussed below, this transmission solution is the Holmes-18th Road 138 kV line, which is a portion of the recently approved P3679 Green Bay - Morgan project. Once completed, the transmission upgrade will resolve the need for the Escanaba Steam Units 1 and 2 to be designated as SSR Units. Until alternative solutions are completed, however, generation from the Escanaba Steam Units 1 and 2 will be required to be available for system reliability support.

This report includes the following findings: (1) a technical description of the need for the subject facilities to maintain system reliability; (2) MISO's proposed mitigation plans to address such needs; (3) details regarding the alternatives to the mitigation plan that MISO carefully evaluated; (4) the estimated earliest termination date for the SSR Units; and (5) how MISO will manage reliability once the SSR contract is terminated and the SSR Units are retired.

1. Reliability Need for Escanaba Steam Units 1 and 2

MISO analyzed the unavailability of either one or both of the Escanaba Steam Units 1 and 2 and determined that the unavailability of either or both of the Escanaba Steam Units 1 and Unit 2 will result in violations of the applicable North American Electricity Reliability Corporation ("NERC") Transmission Planning ("TPL") Standards listed, for the conditions highlighted in yellow, below.

1) NERC TPL Standard TPL-002-0b:
"**R1.** The Planning Authority and Transmission Planner shall each demonstrate through a valid assessment that its portion of the interconnected transmission system is planned such that the
Network can be operated to supply projected customer demands and projected Firm (non-recallable reserved) Transmission Services, at all demand levels over the range of forecast system demands, under the contingency conditions as defined in Category B of Table I. To be valid, the Planning Authority and Transmission Planner assessments shall:

R1.3.12. Include the planned (including maintenance) outage of any bulk electric equipment (including protection systems or their components) at those demand levels for which planned (including maintenance) outages are performed."

NERC TPL 002-0b Table I.

Category	Contingencies	System Limits or Impacts		
B	Initiating Event(s) and Contingency Element(s)	System Stable and both Thermal and Voltage Limits within Applicable Rating	Loss of Demand or Curtailed Firm Transfers	Cascading Outages
Event resulting in the loss of a single element.	Single Line Ground (SLG) or 3-Phase (3Ø) Fault, with Normal Clearing: **2. Transmission Circuit**	**Yes**	**No**	No

2) NERC TPL Standard TPL-003-0a
"**R1.** The Planning Authority and Transmission Planner shall each demonstrate through a valid assessment that its portion of the interconnected transmission systems is planned

such that the network can be operated to supply projected customer demands and projected Firm (non-recallable reserved) Transmission Services, at all demand Levels over the range of forecast system demands, under the contingency conditions as defined in Category C of Table I (attached). The controlled interruption of customer Demand, the planned removal of generators, or the Curtailment of firm (non-recallable reserved) power transfers may be necessary to meet this standard."

NERC TPL 003-0a Table I.

Category	Contingencies	System Limits or Impacts		
C	Initiating Event(s) and Contingency Element(s)	System Stable and both Thermal and Voltage Limits within Applicable Rating	Loss of Demand or Curtailed Firm Transfers	Cascading Outages
Event(s) resulting in the loss of two or more (multiple) elements.	**5. Any two circuits of a multiple circuit towerline**	**Yes**	Planned/ Controlled	No

2. Mitigation Plan to Manage Reliability

After determining that violations of NERC TPL Standards TPL002-0b and TPL 003-0a were likely to occur if either one or both of Escanaba Units 1 and 2 shut-down, MISO then analyzed all available alternatives to mitigate the need for and/or reduce the potential term of an SSR Agreement. As a result of MISO's thorough analysis, MISO identified a transmission upgrade that would resolve the subject system reliability concerns.

The Holmes to 18th Road 138 kV line project will address reliability issues caused by the Escanaba steam units change of status. This project designated as P3679 in MTEP 12 has been approved by the MISO Board of Directors on August 23, 2012 and is scheduled to be in-service in December 2016. Although this upgrade was planned for other purposes and was not triggered by the Attachment Y notification from the City of Escanaba, this planned upgrade will resolve the need for the SSR Units, as well as address other system reliability needs. The project provides an additional transmission line source to the affected area eliminating the need for the local area generation.

3. Alternative Mitigations Considered by MISO

Transmission Operating Steps

MISO's analysis concluded that no transmission switching options alone are available that can be implemented to fully mitigate the planning criteria violations. The area load is served by the combination of 138 kV transmission circuits and local area generation that includes the Escanaba Units 1 and 2. When the full complement of generation is available, contingent loss of certain facilities, consistent with planning criteria, can be withstood without uncontrolled loss of load. However, if the Escanaba units are not available, certain conditions consistent with the TPL standards described above cannot be withstood. Transmission operating steps which are sometimes useful in other areas of the system to mitigate loading or voltage issues are not sufficient in this area because of the configuration of transmission and generation supply to the area.

Generation

In determining whether the suspension of the subject units will result in planning criteria violations, other available generation in the area was assumed to be called on to operate. The 14 MW combustion turbine at the Escanaba generating station is not sufficient to mitigate planning standards violations. In addition, there are no generator requests in queue in this area which could provide potential mitigation. Therefore, at this time, alternative generation is not available to mitigate the need for the temporary SSR Unit designation.

Demand Curtailment

MISO evaluated the extent and impact of load curtailment on the ability of the system to maintain reliable performance consistent with the applicable standards. For some contingencies, load curtailments necessary to enable adequate system performance could be as high as 102 MW. This load reduction would be approximately 65% of the load in the affected area. The generation at Escanaba helps to mitigate the amount of load curtailments necessary to maintain system reliability within standards. For less severe events, availability of the SSR generation mitigates the need for load curtailment in order to meet system performance standards following the contingent event.

4. Estimated Earliest Termination Date for the SSR Units

While the completion of the transmission solution will resolve the need for the SSR units, MISO expects that the SSR designation will be able to be removed for these units before that time based on the expectation that ownership of the units will be transferred for the purpose of

resuming operation under an alternative fuel source. MISO has been advised by The City of Escanaba that a planned new owner of the subject facilities will convert the facilities for operation using biomass instead of coal. MISO has thus included an express provision in the SSR Agreement to grant MISO the right to terminate the SSR Agreement when the facilities have been converted to using biomass rather than coal to produce electricity.

5. How MISO Will Manage Reliability Once the SSR Agreement Is Terminated

MISO will continue to evaluate the ongoing need for the short-term SSR designation as well as any emerging new alternatives to eliminate the need for SSR designation. Based upon the results of current information, MISO believes that the subject system reliability concerns will not exist after the subject facilities are converted to using biomass, and/or the Holmes to 18th Road 138 kV line transmission expansion project has been completed.

Conclusion

Escanaba units provide relief for contingent reliability issues that will result in violation of applicable transmission planning standards, and for which no acceptable alternatives have been identified until completion of the approved transmission upgrade project or repowering of the subject facilities so that they are economic to operate.

Exhibit D

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Midwest Independent Transmission System Operator	))))	**Docket No. ER12-____**

DIRECT TESTIMONY

OF

MICHAEL FURMANSKI

October 5, 2012

20134573v2

1

2 ## I. INTRODUCTION

3 **Q. Please state your name and business address.**

4 A. My name is Michael Furmanski. My business address is 1711 Sheridan Road,
5 Escanaba, MI 49829.

6 **Q. What is your title and job responsibilities?**

7 A. My title is Electric Superintendent for the City of Escanaba My job
8 responsibilities include managing the City's power supply agreements, managing
9 the line distribution department which delivers power to 7,200 customers,
10 interacting with MISO for our GADS reporting, our capacity testing, our load
11 forecasting.

12 **Q. Please outline your formal education.**

13 A. I earned a Bachelor of Science in Electrical Engineering with an emphasis in
14 power and machinery from Michigan Technological University in May, 1994.

15 **Q. Please briefly describe your professional experience.**

16 A. I worked for Prime Energy Management Company from 1994 to 1995 as a
17 salesman of energy efficient lighting systems. I worked for Waupaca Foundry
18 from 1995 to 2000 as an Electrical Engineer. I have worked for the City of
19 Escanaba since 2000. From 2000 to 2006 I was the Electrical Engineer and
20 became superintendent in 2006.

21

1 **Q. What is the purpose of your testimony?**

2 A. I am presenting this testimony in support of the Midwest ISO's filing of an SSR
3 Agreement with the City of Escanaba

4 **Q. Please describe the City of Escanaba's power plant.**

5 A. The plant began commercial operation in 1956. The plant contains 2 identical
6 Babcock and Wilcox boilers coupled to 2 Allis Chalmers turbines and generators.
7 The stokers boilers can produce up to 125,000 pounds of steam per hour. The
8 heat rate for each boiler is 14,500 – 16,000. The boilers burn central Appalachian
9 coal. Net output of each generator is 12.5 MW.

10 **Q. Were you involved in the preparation of the City's Attachment Y**
11 **notification?**

12 **A.** Yes. On December 19, 2011, Escanaba submitted a completed Attachment Y
13 form to MISO to change the status for Escanaba units 1 & 2 to mothball status for
14 the three-year period between June 15, 2012 and June 14, 2015.

15 **Q. Why did the City submit an Attachment Y notification for its power plant?**

16 **A.** Discussions concerning the closing of the City's generating facilities have been
17 ongoing for many years, based on the fact that the City had options for purchasing
18 power that were more economical than the costs of self-generation. In the last ten
19 years, the City has been faced with a series of coal price increases which resulted
20 in those costs increasing by over 100%. As a result, the City has incurred
21 significant operating losses for our electric operations during that time frame,
22 despite unprecedented rate increases. Therefore, the City was forced to
23 investigate alternative power supply options, which were more economical to the

1 consumer. During our review period, we were approached by several
2 organizations who expressed a desire to purchase the plant and convert it to bio-
3 mass fuels. Serious negotiations for the sale of the plant began in 2009. Over the
4 next several years, the City conducted separate extensive negotiations with two
5 potential buyers. After extensive negotiations with each of the potential buyers
6 failed to result in a sale of the plant, the City concluded that it could no longer
7 support the continued operation of the generation facilities. Based on
8 recommendations from the City's administration, the City Council approved
9 submission of Attachment Y on December 7, 2011. Subsequent to the City's
10 filing of Attachment Y, we were approached by a third potential buyer of the
11 plant. Negotiations with this group are currently ongoing.

12 Q. **What was MISO's response to the City's Attachment Y notification?**

13 A. On May 25, 2012, MISO notified the City that MISO had conducted the required
14 reliability assessment and concluded that the proposed mothballing of Escanaba
15 units 1 & 2 prior to the completion of transmission upgrades in the area would
16 result in violations of applicable reliability standards.

17 **Q. Based on that conclusion, did MISO inform the City that it would need to**
18 **maintain the availability of the plants, and that it would tender an SSR**
19 **Agreement to the City?**

20 A. Yes. Upon notification that the Escanaba plant would be needed to maintain
21 system reliability, MISO informed the City that it would need to maintain the
22 availability of the plants, and would tender an SSR Agreement to the City to

1 provide for certain going-forward costs to ensure the City would be compensated
2 for its provision of SSR service.

3 **Q. Has the City maintained the availability of its power plant since receiving**
4 **that notice from MISO?**

5 **A.** Yes. The City has complied with MISO's request and continued to operate the
6 plant beyond its Attachment Y notice date.

7 **Q. Absent the request from MISO to maintain the availability of its power plant**
8 **past June 15, 2012 for reliability concerns, would the City have maintained**
9 **the availability of that plant?**

10 **A.** No. The City, having satisfied its Attachment Y notice requirements, would have
11 begun to take the plant out of service to limit continued operational losses.

12 **Q. Has the City incurred costs and or losses during the time since MISO**
13 **requested that the Escanaba power plant remain available?**

14 **A.** Yes. The power plant continues to lose money because its costs to maintain the
15 plant far exceed the market revenues.

16 **A. Has the City received any SSR compensation during that time for its**
17 **continued availability?**

18 **A.** No, but it is my understanding that the MISO tariff and FERC precedent provides
19 for full compensation of going-forward costs when units are asked by MISO to
20 maintain their availability for reliability reasons.

21 **Q. Were you involved in developing the proposed SSR Agreement and the cost**
22 **recovery provided therein?**

23 A. Yes.

1 **Q. Please describe that process.**

2 A. Since being notified that the Escanaba units would be needed for reliability, the
3 City engaged with MISO in a series of discussions regarding compensation for
4 going-forward costs. MISO requested considerable amounts of data from the City
5 regarding the cost profile of the units and the City worked closely with MISO to
6 provide MISO a complete understanding of what costs would be incurred in
7 maintaining the units' availability.

8 **Q. Was the MISO Independent Market Monitor also involved in those**
9 **discussions?**

10 A. Yes. Representatives of the IMM were actively involved in these discussions.

11 **Q. Did the City make any changes to its requested cost recovery at the request**
12 **of MISO or the IMM?**

13 A. Yes. The IMM requested that the City remove certain costs related to the City's
14 combustion turbine unit, which was not part of the Attachment Y notice. The
15 City agreed to make that change. The City further agreed to the IMM's request to
16 take out a line-item for depreciation, working under the IMM's premise that
17 depreciation represents a cost allocation for historical expenditures, not going-
18 forward costs.

19 **Q, Please describe the compensation provided under the SSR Agreement.**

20 A. The SSR Agreement provides for two primary sources of revenue to compensate
21 for the units' continued availability. The first is an annual revenue requirement to
22 cover certain fixed and variable costs related to maintaining the plant. The SSR
23 Agreement refers to this revenue requirement as the Annual SSR Amount, also

1 referred to in the agreement as an "availability payment." The Annual SSR
2 Amount is approximately $3.7 million. MISO will pay this revenue requirement
3 through monthly payments of $309,190, representing monthly allocations of the
4 Annual SSR Amount. The SSR Agreement separately provides for variable
5 generation costs when the unit is dispatched.

6 **Q. Please explain the cost components of the Annual SSR Amount.**

7 A. The City's generation operations have always been conducted under a operational
8 contract; the City has never directly operated the plant. Our current contract
9 operator is ProEnergy Services, located in Sedalia, Missouri. This is significant
10 because over 85% of the O&M costs represent reimbursement to ProEnergy
11 Services for costs that they have incurred under the contract. The Annual SSR
12 Amount has three components: operations and maintenance (O&M), management
13 fee, and insurance. The majority of the Annual SSR Amount is O&M, which is
14 represented by several cost components. The largest component of O&M, at $2.4
15 million, is wages and fringe benefits. This component is fairly predictable, in that
16 staffing levels and labor contracts are well established. A second component of
17 O&M costs, in the amount of $461,000, would be administrative in nature,
18 including such items as office expenses, state and federal reporting and permit
19 costs and an annual operating bonus for our contract operator. While most of the
20 costs in this component are fairly predictable, the annual operating bonus can
21 fluctuate from year to year, depending on financial results. The Fiscal Year
22 2011/2012 ProEnergy Services operating bonus was $224,433. The final cost
23 component of O&M is represented by supplies, materials and outside contractors

required to maintain the plant. Although the O&M budget contains funds for ongoing maintenance functions, this is the least predictable component of our O&M budget, due to the fact that the plant is approximately fifty-five years old and has been increasingly subject to unanticipated repair requirements.

Q. How was the O&M component developed?

A. The City provided MISO and the IMM with data regarding the O&M cost history of the plant and engaged in several discussions about how to appropriately project O&M costs for the term of the SSR Agreement.

Q. Is the $3.7 million Annual SSR Amount consistent with the City's history of maintaining the units?

A. As shown in Table 1 below and in the SSR Agreement, the $3.7 million figure is lower than the City's actual annual costs for the prior four years. The reduction for going-forward compensation under the SSR Agreement reflects an assumption that the units will be dispatched somewhat less than in prior years, thus lowering the O&M expense burden. It also reflects the City's recognition of MISO's desire to tailor SSR compensation as a conservative estimate of going-forward costs.

1
2 **TABLE 1**

Summary of Fixed Steam Generation Costs for Escanaba Units					
	F/Y 08/09	F/Y 09/10	F/Y 10/11	F/Y 11/12	F/Y 12/13
Operations & Maintenance	$3,758,494	$3,876,150	$4,645,167	$3,948,382	$3,481,515
Management Fee	45,072	39,789	47,738	50,003	50,000
Plant Insurance	0	85,740	91,217	238,101	178,764
Steam Plant Depreciation	381,836	406,562	523,985	276,103	0
Totals	$4,185,402	$4,408,241	$5,308,107	$4,512,589	$3,710,279
			Annual SSR Amount		$3,710,279

3

4 **Q. In your view, will the City's actual costs be higher than $3.7 million?**

5 **A.** In all likelihood, yes. However, insofar as the SSR Agreement is based on
6 forecasted costs, the City agreed to the $3.7 million as a reasonable, if
7 conservative, estimate of its going-forward costs.

8 **Q. Please explain the variable generation payment the units will receive when**
9 **dispatched.**

10 A. Because the Annual SSR Amount covers certain fixed and variable going-forward
11 costs that do not include the marginal cost of generating, the SSR Agreement also
12 provides for a separate payment when the units are dispatched. The City worked
13 with MISO and the IMM to understand the units' marginal cost profile and
14 developed a proxy for its marginal cost of generation that would form the basis

for a dispatch payment. MISO and the IMM estimated the units' costs of fuel and ash disposal at $71.57 per MWh and proposed that figure as the dispatch compensation. The City's experience is that its actual cost history has resulted in "make whole" payments that are slightly higher than $71.57, but the City agreed to MISO's proposed rate as a reasonable estimate of dispatch costs. Accordingly, the $71.57 per MWh value will be the City's compensation when dispatched.

Q. **How will Energy and Ancillary Services revenues be accounted for when the units are dispatched?**

A. Because the MISO settlement process is based on market-clearing price, MISO will implement an additional step in the settlement process for the City to make the City whole (up to $71.57) when market-clearing prices are lower than that value, and to debit the City's account when market-clearing prices exceed $71.57. This process ensures that the City does not stand to profit from MISO's reliability-related dispatches, while receiving SSR compensation.

Q. Does this conclude your testimony?

A. Yes.

[Next page is signature page.]

Exhibit D

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Midwest Independent Transmission System Operator	))))	**Docket No. ER12-____**

STATE OF MICHIGAN)
) SS:
COUNTY OF Delta **)**

I, **Michael Furmanski,** being duly sworn, certify that the attached direct testimony and exhibits in this docket were prepared by me or under my supervision and that the answers contained in such testimony and exhibits are true and correct to the best of my knowledge, information and belief.

Michael Furmanski

Michael Furmanski

Subscribed and sworn to before me this 4th day of October, 2012.

Kimberly Ann Peterson
Notary Public
Exp: 8-10-13

20134573v2

Escanaba Operating Services
PO Box 249
Wells, MI 49894
PHONE: 906-217-3100
FAX- 906-217-3103

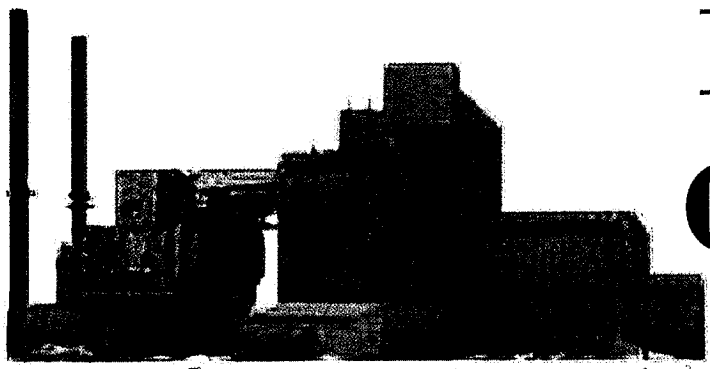
NB # 2
CC/EAC
10/10/12

Escanaba Operating Services

Monthly Report

September

2012



Escanaba Operating Services

Escanaba Operating Services
PO Box 249
Wells, MI 49894
PHONE: 906-217-3100
FAX- 906-217-3103

Executive Summary

Units 1 and 2 and the CTG remained in service for the entire month of September. Unit 1 and Unit 2 were both operated during the month. There are 14,213 tons of coal on the dock.

The OSHA incident rate remains at zero for 2012.

Key Performance Indicators (Note: This table is for the City's fiscal year July 2012 through June 2013)

Measure	Units	Month	Year to Date
Steam Plant Gross Electrical Generation	MWH	2112	6244
Unit 1 Net Electrical Generation	MWH	1080	2794
Unit 2 Net Electrical Generation	MWH	756	2614
Unit 1 Hours of Operation	Hours	200.9	483.9
Unit 2 Hours of Operation	Hours	138.8	419.6
Coal Consumption	Tons	1227	3579
Coal on Dock	Tons	14213	14213
Steam Plant Net Heat Rate	BTU/KWH	n/a	n/a
Plant Availability	%	99.998%	99.998%
Combustion Turbine Gross Electrical Generation	MWH	0	208
Combustion Turbine Station Service	MWH	9.6	16.6
Combustion Turbine Hours of Operation	Hours	0	33.5
Fuel Oil Consumption	Gallons	0	34335
Combustion Turbine Availability	%	100%	100%

Operations Summary

Unit Start-Ups and Shut Downs

Unit	Date	On-Line Time	Off-Line Time	Reason
Unit 1	9/7	21:04		MISO
Unit 1	9/15		23:58	MISO
Unit 2	9/7	21:04		MISO
Unit 2	9/8		10:00	Trip for Exciter Fan Cabinet Temperature Excursion (High Temp)
Unit 2	9/8	14:58		Reset Trip Using Box Floor Fans in front of Cabinet enclosure.
Unit 2	9/15		23:58	MISO

Escanaba Operating Services
PO Box 249
Wells, MI 49894
PHONE: 906-217-3100
FAX- 906-217-3103

Unit Trips and Unplanned Outages

Unit 2 was forced off load due to a failed cooling fan motor in the generator excitation cabinet. The cooling fan removes the heat from the excitation cabinet during operation of the Generator. The cabinet became overheated and a protective relay tripped the excitation system and the generator. Box fans were put in the cabinet to keep the temperature in check and Unit 2 was restored to service. The failed fan motor has been replaced with a new motor and the box fans have been removed from the cabinet.

Unit	Date	Breaker Open Time	Breaker Close Time	Duration (Hours)	Cause
1	None				
2	9/8	10:00	14:58	5	Failure of Exciter Fan causing Exciter Cabinet to Overheat. Over-temp relay shut down the exciter and tripped the unit. (Protective Device)
CTG	None				

Planned Outages

There were no planned outages during the month of September 2012.

Unit	Start Date	Start Time	End Date	End Time	Cause
1	None				
2	None				
CTG	None				

Forced Load Reduction Events

Forced Load Reduction Events are events that limit the generating capability of a turbine/generator unit. The reductions are measured in megawatts of unavailable power due to equipment or component failure. In these situations the generating unit ***continues to operate*** but at a lower than design megawatt output.

Start Date	Start Time	End Date	End Time	Actual Load	Cause
None					

Escanaba Operating Services
PO Box 249
Wells, MI 49894
PHONE: 906-217-3100
FAX- 906-217-3103

Maintenance Activities

Plant Maintenance Activities for September 2012

The plant maintenance forces focused their attention on the plant fly-ash removal system. Normal removal of flyash takes 35-45 minutes. The ash system was in such bad condition that it took up to four hours to remove the flyash. An eight inch valve was replaced and the controls were repaired such that the flyash system has now returned to "Normal Operation".

Unit 1

There were no **major** repairs made to Unit 1 during the month.

Unit 2

There were no **major** repairs made to Unit 2 during the month.

Combustion Turbine

The Combustion Turbine did not operate during the month. The Evaporator Cooler has been drained for winter freeze protection.

Plant Outstanding Issues:

The only outstanding operational issue continues to be the #1 Circulating Water Pump. The new pump is on order with a delivery schedule for the new pump at 30 weeks.

Emissions Compliance Overview-Air/Water

- There was one deviation during the month. These variations are unavoidable when the Induced Draft Fans are started following a plant shut down.

Air Monitoring Deviations

Start Date	Start Time	End Date	End Time	Opacity Parameter	Cause
9/7	17:18	9/7	17:24	59%	Boiler/ID Fan Startup

Water – NPDES Permit Deviations

- There were no NPDES deviations for the month of September.

Escanaba Operating Services
PO Box 249
Wells, MI 49894
PHONE: 906-217-3100
FAX- 906-217-3103

Water – Groundwater

1) The plant was over its 12 month calculated discharge limit. The plant was over nine days on the daily 10,000 gallon flow.
   Corrective Action: An application for a new groundwater discharge permit has been submitted for a higher plant effluent limit. The DEQ has given the facility a draft permit, which was reviewed and approved by both the DEQ and the facility. A permit for public comment will arrive shortly.

Water Monitoring Deviations

Start Date	End Date	Parameter	Cause
9/3	9/3	Flow	Heavy Rain
9/7	9/8	Flow	Startup of Unit 1 and Unit 2
9/11	9/11	Flow	Normal Operations
9/15	9/15	Flow	Normal Operations
9/17	9/19	Flow	Shut Down of Unit 2 and Unit 1

Occupational Health Overview

OSHA Summary of Work Related Injuries and Illnesses

1) There were no OSHA recordable injuries or illnesses at the site during the month of September. Safe man hours worked to date are 28077.1 since January 1, 2012. The Illness and Incident Rate for the year remains at zero (0).

EH&S Incidents – (Near Misses and Property Damage)

None

Labor Statistics

Labor Statistics (Note: These statistics are for the 2012 calendar year from Jan 1 through December 31.)

Item	Month	Year to Date
Total Man-hours Worked	2969.25	28077.1
Total Number of Standard Time (ST) Hours	2543	24172.8
Total Number of Overtime (OT) Hours	96.75	1636.8
Total Number of Double Time (DT) Hours	329.5	2267.5