

City Council

Regular Meeting Agenda

Monday, January 19, 2015
7:00 p.m., Council Chambers



1. Call to Order
2. Invocation - Rev. Jeffrey Dick – 1st Congregational
3. Roll Call
4. Approval of Agenda
5. **Consent Agenda: Items A thru F (Roll Call Vote Required)**
(All matters listed under the Consent Agenda are considered to be routine by the City Council and will be enacted by one motion. Unless requested by a Council Member or a citizen, there will be no separate discussion on these items. If discussion is required regarding an item, that item will be removed from the Consent Agenda and considered separately.)
 - A. Council will be requested to approve the City Council Minutes of January 5, 2014.
 - B. Bills totaling \$2,149,936.07 for the period ending January 20, 2015 be approved and forwarded to the Clerk and Treasurer for payment.
 - C. Council will be asked to approve the City Hall renovation project bids to CPM Construction, in the amount of \$58,935.00 and to Paul Perez Painting, in the amount of \$9,200.00.

If a member of the public wishes to address any of the following items listed on the agenda they will be given a chance to speak prior to Council discussing the item. They will be given up to 5 minutes to address their concerns.

NEW BUSINESS

6. Council will be asked to consider Resolution 2015-04, a resolution amending the cost-based formula rate agreement for full requirements electric service by and between Indiana Michigan Power Company and the City of South Haven.
7. Council will be asked to consider two ordinance amendments related to animal control and ownership. Council will be asked to consider amendments to the following sections of the city's Code of Ordinances:
 - A. Chapter 1 of the Code of Ordinances, Sections 1-16
 - B. Chapter 6 of the Code of Ordinances, Sections 6-2 and 6-3
8. Interested Citizens in the Audience Will be Heard on Items Not on the Agenda
(You will be given up to 5 minutes to address your concerns.)
9. City Manager's Comments
10. Mayor and Councilperson's Comments

11. Adjourn

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, appearing to read "B. Dissette", written over a horizontal line.

Brian Dissette, City Manager

DRAFT

City Council

Regular Meeting Minutes

Monday, January 5, 2015
7:00 p.m., Council Chambers



1. **Call to Order by Mayor 7:00 p.m.**
2. **Invocation by Reverend Travis Wilson, Peach Lutheran Church**
3. **Roll Call**

Present: Arnold, Fitzgibbon, Gruber, Klavins, Patterson, Burr
Absent: Kozlik Wall

Moved by Fitzgibbon to excuse Councilmember Kozlik Wall for personal reasons. Seconded by Patterson.

4. **Approval of Agenda**

Moved by Fitzgibbon to approve the amended agenda to include 6b. Council will be asked to consider the approval of Liberty Hyde Bailey Museum lease agreement. Seconded by Patterson.

Voted Yes: All. Motion carried.

5. **Consent Agenda: Items A thru F (Roll Call Vote Required)**

Moved by Patterson, seconded by Fitzgibbon to approve the Consent Agenda as follows:

- A. Council will be requested to approve the City Council Minutes of December 15, 2014.
- B. Bills totaling \$1,586,178.53 for the period ending January 6, 2015 be approved and forwarded to the Clerk and Treasurer for payment.
- C. Council will be asked to receive an annual report from the Planning Commission.
- D. Council will be asked to approve the 2015 employment agreement with the City Manager, Brian Dissette.
- E. Council will be asked to consider the following contracts for the Core City Secondary Electrical Upgrade Project – Phase 2:
 - 1) Extend the contract with Kent Power, Inc., of Kent City, Michigan for construction services. Labor and materials to be provided are defined in the contract documents prepared by GRP Engineering.
 - 2) Award the contract for professional services for community outreach and communication to Abonmarche Engineering, in the amount of \$33,500.
 - 3) Award the contract for pre-construction videotaping services to Structures, Inc., in the not-to-exceed amount of \$18,923.

- F. Council will be asked to receive the following administrative reports and approved minutes to be placed on file:
- 1) 11-17-2014 ZBA Minutes
 - 2) 11-24-2014 BPU Minutes

A Roll Call Vote was taken:

Yeas: Arnold, Fitzgibbon, Gruber, Klavins, Patterson, Burr

Nays: None

Motion carried.

UNFINISHED BUSINESS

6a. Council will be asked to approve a code amendment to repeal Chapter 58, Article II, Division 3 of the City's Code of Ordinances.

Background Information: The City Council will be asked to consider final action on a code amendment that, if approved, will repeal Chapter 58, Article II, Division 3 of the city's Code of Ordinances. If the amendment is approved, the Liberty Hyde Bailey Museum (LHBM) can consolidate the governance of the museum. Over the past year, the city's staff and attorney have actively worked with representatives from LHBM. During that time, it has been noted that LHBM has two governing bodies. The LHBM is a public board which is created by ordinance that consists of up to seven members appointed by the City Council. The LHBM also has a Memorial Fund, which is a private non-profit corporation. The non-profit was created for the purpose of promoting and improving the museum. Many of the LHBM board members are active in the non-profit, and the functions of the two bodies overlap. For many months, staff and the attorney have worked with LHBM to determine the most prudent way to address the museum's management structure. Staff recommends this approach, as it allows for continued local control, but provides LHBM with greater flexibility (e.g., this approach allows LHBM to recruit members from the city and from outside of the city and adopt new bylaws which allow for greater fundraising opportunities.) The proposed ordinance amendment will strike Chapter 58, Article II, Division 3 of the city's Code of Ordinances, which is the portion of the code that establishes the LHBM Board. If approved, the ordinance amendment allows the city to establish a new governing structure at the LHBM, through a contract agreement with the LHBM non-profit. If the code amendment is approved, staff recommends the immediate approval of an operating agreement between the City of South Haven and LHBM. In addition to the code changes and contract for service, LHBM will be asked to adopt new bylaws, which reflect the various changes to operations. Please note; the ordinance amendment preserves the LHBM's status as a public park. However, the ordinance amendment makes clear that the LHBM's oversight will be provided by the City Council, instead of the city's Parks Commission.

Moved by Gruber to approve a code amendment to repeal Chapter 58, Article II, Division 3 of the City's Code of Ordinances. Seconded by Patterson.

Voted Yes: All. Motion carried.

NEW BUSINESS

6b. Council will be asked to consider the approval of Liberty Hyde Bailey Museum lease agreement.

Moved by Patterson to approve a lease agreement with Liberty Hyde Bailey Museum. Seconded by Fitzgibbon.

Voted Yes: All. Motion carried.

7. Council will be asked to consider Special Event 2015-01, Harborfest to be held June 18-21, 2015.

Background Information: Harborfest is scheduled for June 18-21, 2015. At this event there will be live music, food vendors, craft vendors, dragon boat races, entertainment on stage by marina, and more. The event application seems to mirror last year's application with one minor change. This year they would like to move the "beer garden" to the grassy area as shown on the map included in the application (pending approval of temporary liquor license).

Hank Bozema – Spoke about event

Moved by Fitzgibbon to approve Special Event 2015-01, Harborfest, to be held June 18-21, 2015. Seconded by Gruber.

Voted Yes: All. Motion carried.

8. Council will be asked to consider Resolution 2015-01, a resolution updating state required poverty income standards for property tax poverty exemption guidelines for tax year 2015.

Background Information: The City Council will be asked to consider the 2015 guidelines for property tax poverty exemptions and the special assessment poverty exemptions for approval and adoption. The poverty exemption guidelines are used by the Assessing Department when considering tax relief requests at the annual Board of Review meeting(s). Several years ago, at a meeting of the City Council, there was debate over the proposed Federal Poverty Guidelines and whether or not they should be adopted. Ultimately the City Council opted not to adopt the guidelines, stating that the proposed levels were set too low, and should be adjusted to a more acceptable level. In an effort to create a more acceptable local level for the poverty guidelines, staff modified the asset standards to reflect the asset eligibility limitation to not exceed \$5,000 (as opposed to the original \$2,000). Further, the guidelines were modified to reflect that an individual's primary motor vehicle would not be included in the asset calculation. The final adjustment that staff made to the proposed guidelines was to increase the poverty threshold maximum income level by \$5,000 per unit of family. Ultimately the adjustments made by staff were accepted by the City Council and the guidelines were approved and adopted. These modified guidelines have been used since 2009.

As part of the Kalamazoo Street reconstruction project, phase two, the City Council received concerns, voiced by members of the public, about the use of special assessments, which were used to partially fund the water and sanitary sewer utilities. As a result of the public concerns, the City Council agreed to create a special assessment district poverty exemption

program. The program mirrors the guidelines set forth by the property tax poverty exemption program.

Moved by Patterson to approve Resolution 2015-01: A Resolution updating state required poverty income standards for property tax poverty exemption guidelines for tax year 2015. Seconded by Klavins.

Voted Yes: All. Motion carried.

9. Council will be asked to consider Resolution 2015-02, a resolution adopting poverty level income standards for the special assessment poverty exemption guidelines for tax year 2015.

Background Information: The City Council will be asked to consider the 2015 guidelines for property tax poverty exemptions and the special assessment poverty exemptions for approval and adoption. The poverty exemption guidelines are used by the Assessing Department when considering tax relief requests at the annual Board of Review meeting(s). Several years ago, at a meeting of the City Council, there was debate over the proposed Federal Poverty Guidelines and whether or not they should be adopted. Ultimately the City Council opted not to adopt the guidelines, stating that the proposed levels were set too low, and should be adjusted to a more acceptable level. In an effort to create a more acceptable local level for the poverty guidelines, staff modified the asset standards to reflect the asset eligibility limitation to not exceed \$5,000 (as opposed to the original \$2,000). Further, the guidelines were modified to reflect that an individual's primary motor vehicle would not be included in the asset calculation. The final adjustment that staff made to the proposed guidelines was to increase the poverty threshold maximum income level by \$5,000 per unit of family. Ultimately the adjustments made by staff were accepted by the City Council and the guidelines were approved and adopted. These modified guidelines have been used since 2009. As part of the Kalamazoo Street reconstruction project, phase two, the City Council received concerns, voiced by members of the public, about the use of special assessments, which were used to partially fund the water and sanitary sewer utilities. As a result of the public concerns, the City Council agreed to create a special assessment district poverty exemption program. The program mirrors the guidelines set forth by the property tax poverty exemption program.

Moved by Fitzgibbon to approve Resolution 2015-02, a resolution adopting poverty level income standards for the special assessment poverty exemption guidelines for tax year 2015. Seconded by Patterson.

Voted Yes: All. Motion carried.

10. Council will be asked to consider Resolution 2015-03, a resolution authorizing the City Manager to enter into a lease for the former State Police Post storage building and parking area.

Background Information: The City Council will be asked to approve a resolution which would amend the lease agreement between the city and the State of Michigan for the Michigan State Police Post (Post,) located on Le Grange Street. In December, 2014, the City Council approved a lease agreement with the State of Michigan for the use of the Post. In reviewing the lease of the Post's storage building, it was discovered that there was an additional

parcel owned by the State of Michigan which was formerly part of the Post's grounds (see the triangle parcel on the attached map.) The City Council is requested to consider including the triangle parcel, to the north of the Post, in the lease agreement.

Moved by Fitzgibbon to approve Resolution 2015-03, a resolution authorizing the City Manager to enter into a lease for the former State Police Post storage building and parking area. Seconded by Patterson.

Voted Yes: All. Motion carried.

11. Interested Citizens in the Audience Will be Heard on Items Not on the Agenda

Mike Henry, Van Buren County Commissioner – Gave updates on Van Buren County.

12. City Manager's Comments

13. Mayor and Councilperson's Comments

Klavins: No Comment

Arnold: Happy New Year

Patterson: Happy New Year. Thanked everyone for coming out tonight.

Fitzgibbon: Thanked everyone for coming out tonight. Be careful driving home.

Gruber: Spoke about LHBM.

Burr: Bridge project is on schedule.

14. Adjourn

Moved by Patterson to adjourn. Seconded by Arnold.

Voted Yes: All. Motion carried. Meeting adjourned at 7:32 p.m.

RESPECTFULLY SUBMITTED,



Michelle Coffey
Deputy City Clerk

Approved by City Council: **DRAFT**

**CITY OF SOUTH HAVEN
JANUARY 20, 2015**

	PREPAID	CURRENT	TOTAL
101-GENERAL FUND	\$ 36,083.85	\$ 49,458.49	\$ 85,542.34
202-MAJOR STREET FUND	\$ -	\$ -	\$ -
203-LOCAL STREET FUND	\$ -	\$ -	\$ -
204-STREET FUND	\$ -	\$ 320,213.48	\$ 320,213.48
226-GARBAGE/REFUSE FUND	\$ 30,603.03	\$ -	\$ 30,603.03
250-DOWNTOWN DEVELOPMENT	\$ 582.44	\$ 262.00	\$ 844.44
251-LDFA #1	\$ -	\$ -	\$ -
252- LDFA #2	\$ -	\$ -	\$ -
253-LDFA #3	\$ -	\$ -	\$ -
260-BROWNFIELD AUTHORITY	\$ -	\$ -	\$ -
265-NARCOTICS UNIT	\$ 257.40	\$ -	\$ 257.40
266-POLICE TRAINING	\$ 8.80	\$ -	\$ 8.80
296-RIVER MAINTENANCE	\$ -	\$ -	\$ -
363- CAPITAL BOND	\$ -	\$ -	\$ -
370- BUILDING AUTHORITY #2	\$ -	\$ -	\$ -
371-CAPITAL BOND DEBT SERV	\$ -	\$ -	\$ -
372-WATER PLANT FUND	\$ -	\$ -	\$ -
395-DDA DEBT SERVICE	\$ -	\$ -	\$ -
396- DDA DISTRICT #2	\$ -	\$ -	\$ -
401-CAPITAL PROJECTS	\$ 209.80	\$ -	\$ 209.80
402-CAPITAL PROJECTS #2	\$ -	\$ -	\$ -
466- PAVILION AND ICE RINK	\$ -	\$ -	\$ -
545-BLACK RIVER PARK	\$ 57.95	\$ -	\$ 57.95
577-BEACH FUND	\$ 172.82	\$ -	\$ 172.82
582-ELECTRIC FUND	\$ 30,534.96	\$ 65,582.72	\$ 96,117.68
591-WATER FUND	\$ 49,404.45	\$ 6,755.82	\$ 56,160.27
592-SEWER FUND	\$ 54,212.84	\$ 7,021.64	\$ 61,234.48
594-MUNICIPAL MARINA	\$ 7,222.03	\$ -	\$ 7,222.03
636-INFORMATION SERVICES	\$ 3,125.54	\$ 664.94	\$ 3,790.48
661-MOTOR POOL	\$ 3,297.71	\$ 1,532.42	\$ 4,830.13
677-SELF INSURANCE	\$ -	\$ -	\$ -
703-TAX FUND	\$ 1,480,283.78	\$ -	\$ 1,480,283.78
718-TRUST & AGENCY	\$ -	\$ -	\$ -
750-EMPLOYEE WITHHOLDING	\$ 2,387.16	\$ -	\$ 2,387.16
TOTAL	\$ 1,698,444.56	\$ 451,491.51	\$ 2,149,936.07

CHECK PROOF FOR CITY OF SOUTH HAVEN

BANK CODE: 1 CHECK DATE: 01/20/2015 INVOICE PAY DATE FROM 01/20/2015 TO 01/20/2015

Check Date	Bank	Check #	Vendor Code	Vendor Name	Invoice Total	Credit Total	Total Amount	# Invoices
01/20/2015	1	49884	000014	ABONMARCHE CONSULTANTS INC	12,978.30	0.00	12,978.30	6
01/20/2015	1	49885	000043	AIRGAS USA, LLC	444.71	0.00	444.71	2
01/20/2015	1	49886	000050	ALEXANDER CHEMICAL CORP	4,380.36	1,600.00	2,780.36	4##
01/20/2015	1	49887	000065	ALLIED MECHANICAL SERVICES INC	1,120.00	0.00	1,120.00	1
01/20/2015	1	49888	000145	ARISTA TRUCK SYSTEMS, INC	649.70	0.00	649.70	2
01/20/2015	1	49889	000229	BEAVER RESEARCH COMPANY	799.25	0.00	799.25	1
01/20/2015	1	49890	000346	BRUSH ENTERPRISES	165.00	0.00	165.00	1
01/20/2015	1	49891	000372	C.C. JOHNSON & MALHOTRA PC	5,867.09	0.00	5,867.09	1
01/20/2015	1	49892	003145	CANNERY'S WATER TREATMENT	27.00	0.00	27.00	1
01/20/2015	1	49893	000453	CHIEF SUPPLY CORP	508.05	0.00	508.05	3
01/20/2015	1	49894	000514	CONSTRUCTION ASSOCIATES INC	2,025.80	0.00	2,025.80	1
01/20/2015	1	49895	000716	EJ USA INC	1,856.35	0.00	1,856.35	2
01/20/2015	1	49896	000718	ELECSYS INTERNATIONAL CORP	267.00	0.00	267.00	1
01/20/2015	1	49897	000847	FUEL MANAGEMENT SYSTEM	3,124.31	0.00	3,124.31	1
01/20/2015	1	49898	000872	GEMPLER'S	46.00	0.00	46.00	1
01/20/2015	1	49899	001108	GORDON HULL	2,358.50	0.00	2,358.50	1
01/20/2015	1	49900	001186	JENSEN'S EXCAVATING INC	800.00	0.00	800.00	1
01/20/2015	1	49901	001225	KALIN CONSTRUCTION CO, INC	320,124.24	0.00	320,124.24	1
01/20/2015	1	49902	001373	LAWN BOYS INC	195.95	0.00	195.95	1
01/20/2015	1	49903	001898	ON DUTY GEAR LLC	2,145.00	0.00	2,145.00	1
01/20/2015	1	49904	002020	POWER LINE SUPPLY CO	19,885.60	0.00	19,885.60	18
01/20/2015	1	49905	002114	RATHCO SAFETY SUPPLY INC	415.17	0.00	415.17	2
01/20/2015	1	49906	002168	RIVERSIDE ELECTRIC SERVICE INC	20.00	0.00	20.00	1
01/20/2015	1	49907	002268	SECURALARM SYSTEMS INC	664.94	0.00	664.94	1
01/20/2015	1	49908	002461	SPRING BROOK SUPPLY	47.96	0.00	47.96	1
01/20/2015	1	49909	002580	TECHNICAL ENERGY SOLUTIONS	30,000.00	0.00	30,000.00	1
01/20/2015	1	49910	002583	TELE-RAD INC	1,695.15	0.00	1,695.15	1
01/20/2015	1	49911	002665	TREECORE	39,896.34	0.00	39,896.34	2
01/20/2015	1	49912	002728	USA BLUE BOOK	593.64	399.90	193.74	3##
01/20/2015	1	49913	002936	WINKEL'S COMMUNICATION INC	390.00	0.00	390.00	1

Num Checks: 30 Num Stubs: 0 Num Invoices: 64 Total Amount: 451,491.51

Denotes that check has vendor credit applied.

01/13/2015 12:22 PM
 User: ksteinman
 DB: South Haven

INVOICE REGISTER REPORT FOR CITY OF SOUTH HAVEN
 INVOICE DUE DATES 01/20/2015 - 01/20/2015
 JOURNALIZED OPEN AND PAID
 BANK CODE: 1 - CHECK TYPE: PAPER CHECK

Inv Num Inv Ref#	Vendor Description GL Distribution	Inv Date Entered By	Due Date	Inv Amt	Amt Due	Status	Jrnlized Post Date
110376 43185	ABONMARCHE CONSULTANTS INC PHOENIX ST- PAYROLL REVIEW SERVICE 250-729-974-018-0150	12/29/2014 ksteinman CAPITAL PROJECTS	01/20/2015	262.00 262.00	0.00	P	Y 01/13/2015
110393 43186	ABONMARCHE CONSULTANTS INC BAILEY/CHERRY STREET DRAINAGE REVI 101-447-801-000	12/31/2014 ksteinman PROFESSIONAL/CONSULTING FEES	01/20/2015	500.00 500.00	0.00	P	Y 01/13/2015
110320 43187	ABONMARCHE CONSULTANTS INC ELECTRIC CORE UPGRADE- PHASE I 582-558-988-000-0175	12/18/2014 ksteinman ELECTRICAL SYSTEM CONSTR	01/20/2015	6,630.50 6,630.50	0.00	P	Y 01/13/2015
110377 43188	ABONMARCHE CONSULTANTS INC LAKEVIEW CEMETARY IMPROVEMENTS 101-276-801-000-0171	12/29/2014 ksteinman PROFESSIONAL/CONSULTING FEES	01/20/2015	3,742.05 3,742.05	0.00	P	Y 01/13/2015
110398 43189	ABONMARCHE CONSULTANTS INC CENTER FOR THE ARTS FIRE ESCAPE 101-804-802-000-0178	12/29/2014 ksteinman OTHER CONTRACTUAL SERVICES	01/20/2015	1,178.75 1,178.75	0.00	P	Y 01/13/2015
110379 43190	ABONMARCHE CONSULTANTS INC KAL-HAVEN TRAIL- BULLER PARKING 101-447-801-000	12/29/2014 ksteinman PROFESSIONAL/CONSULTING FEES	01/20/2015	665.00 665.00	0.00	P	Y 01/13/2015
9034784345 43191	AIRGAS USA, LLC CYLINDER RENTAL 661-450-741-003	12/23/2014 ksteinman REPAIR & MAINT SUPPLIES	01/20/2015	38.38 38.38	0.00	P	Y 01/13/2015
9034568163 43197	AIRGAS USA, LLC CYLINDER RENTAL 661-450-741-003	12/16/2014 ksteinman REPAIR & MAINT SUPPLIES	01/20/2015	406.33 406.33	0.00	P	Y 01/13/2015
SLS 10026965 43193	ALEXANDER CHEMICAL CORP CHEMICALS 592-559-741-000	12/18/2014 ksteinman OPERATING SUPPLIES	01/20/2015	1,695.00 1,695.00	0.00	P	Y 01/13/2015

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 User: ksteinman
 DB: South Haven

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Inv Num Inv Ref#	Vendor Description GL Distribution	Inv Date Entered By	Due Date	Inv Amt	Amt Due	Status	Jrnalized Post Date
SCL 10007586 43194	ALEXANDER CHEMICAL CORP DEPOSIT REFUND 592-559-741-000 OPERATING SUPPLIES	12/22/2014 ksteinman	01/20/2015	(900.00) (900.00)	0.00	P	Y 01/13/2015
SCL 10007665 43195	ALEXANDER CHEMICAL CORP DEPOSIT REFUND 592-559-741-000 OPERATING SUPPLIES	12/29/2014 ksteinman	01/20/2015	(700.00) (700.00)	0.00	P	Y 01/13/2015
SLS 10026998 43196	ALEXANDER CHEMICAL CORP CHEMICALS 591-559-741-000 OPERATING SUPPLIES	12/19/2014 ksteinman	01/20/2015	2,685.36 2,685.36	0.00	P	Y 01/13/2015
118888 43192	ALLIED MECHANICAL SERVICES INC RENEWAL OF ANNUAL MAINTENANCE AGRE 591-559-802-000 OTHER CONTRACTUAL SERVICES	12/22/2014 ksteinman	01/20/2015	1,120.00 1,120.00	0.00	P	Y 01/13/2015
S 33424 43198	ARISTA TRUCK SYSTEMS, INC MOTOR SPINNER 661-450-741-003 REPAIR & MAINT SUPPLIES	12/29/2014 ksteinman	01/20/2015	324.85 324.85	0.00	P	Y 01/13/2015
S 33371 43199	ARISTA TRUCK SYSTEMS, INC MOTOR SPINNER 661-450-741-003 REPAIR & MAINT SUPPLIES	12/23/2014 ksteinman	01/20/2015	324.85 324.85	0.00	P	Y 01/13/2015
0222506-IN 43201	BEAVER RESEARCH COMPANY SUPPLIES 591-558-741-000 592-558-741-000 101-446-741-000 582-558-741-000 OPERATING SUPPLIES OPERATING SUPPLIES OPERATING SUPPLIES OPERATING SUPPLIES	12/18/2014 ksteinman	01/20/2015	799.25 199.81 199.81 199.81 199.82	0.00	P	Y 01/13/2015
7143 43200	BRUSH ENTERPRISES REPAIRS 661-450-741-003 REPAIR & MAINT SUPPLIES	12/16/2014 ksteinman	01/20/2015	165.00 165.00	0.00	P	Y 01/13/2015
11/16- 12/27/14 43202	C.C. JOHNSON & MALHOTRA PC PROFESSIONAL SERVICES	01/06/2015 ksteinman	01/20/2015	5,867.09	0.00	P	Y 01/13/2015

01/13/2015 12:22 PM
 User: ksteinman
 DB: South Haven

INVOICE REGISTER REPORT FOR CITY OF SOUTH HAVEN
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Inv Num Inv Ref#	Vendor Description GL Distribution	Inv Date Entered By	Due Date	Inv Amt	Amt Due	Status	Jrnlized Post Date
	592-559-801-000	PROFESSIONAL/CONSULTING FEES		5,867.09			
95417TD 43203	CANNEY'S WATER TREATMENT BOTTLE WATER 101-301-802-001	12/29/2014 ksteinman	01/20/2015	27.00	0.00	P	Y 01/13/2015
		SERVICE CONTRACTS		27.00			
188221 43204	CHIEF SUPPLY CORP CLOTHING 101-301-729-000	12/19/2014 ksteinman	01/20/2015	416.38	0.00	P	Y 01/13/2015
		UNIFORMS		416.38			
190728 43205	CHIEF SUPPLY CORP HOLSTER 101-301-729-000	12/26/2014 ksteinman	01/20/2015	45.89	0.00	P	Y 01/13/2015
		UNIFORMS		45.89			
186401 43206	CHIEF SUPPLY CORP CLOTHING 101-301-729-000	12/17/2014 ksteinman	01/20/2015	45.78	0.00	P	Y 01/13/2015
		UNIFORMS		45.78			
22874 43207	CONSTRUCTION ASSOCIATES INC BUILDING INSPECTIONS 101-371-802-020	01/06/2015 ksteinman	01/20/2015	2,025.80	0.00	P	Y 01/13/2015
		BUILDING INSPECTIONS		2,025.80			
3798327 43208	EJ USA INC SUPPLIES 591-558-741-000	12/31/2014 ksteinman	01/20/2015	456.35	0.00	P	Y 01/13/2015
		OPERATING SUPPLIES		456.35			
3795658 43209	EJ USA INC CONTROLLERS 591-558-741-000	12/19/2014 ksteinman	01/20/2015	1,400.00	0.00	P	Y 01/13/2015
		OPERATING SUPPLIES		1,400.00			
132425 43210	ELECSYS INTERNATIONAL CORP MONTHLY MAINTENANCE 582-558-802-000 591-558-802-000 592-558-802-000	12/28/2014 ksteinman	01/20/2015	267.00	0.00	P	Y 01/13/2015
		OTHER CONTRACTUAL SERVICES		186.90			
		OTHER CONTRACTUAL SERVICES		40.05			
		OTHER CONTRACTUAL SERVICES		40.05			
1436501 43211	FUEL MANAGEMENT SYSTEM FUEL	12/31/2014 ksteinman	01/20/2015	3,124.31	0.00	P	Y 01/13/2015

INVOICE REGISTER REPORT FOR CITY OF SOUTH HAVEN

INVOICE DUE DATES 01/20/2015 - 01/20/2015

JOURNALIZED OPEN AND PAID

BANK CODE: 1 - CHECK TYPE: PAPER CHECK

Inv Num	Vendor	Inv Date	Due Date	Inv Amt	Amt Due	Status	Jrnalized
Inv Ref#	Description	Entered By					Post Date
	GL Distribution						
	101-301-748-000	MOTOR FUEL		1,001.02			
	204-447-748-000	MOTOR FUEL		89.24			
	591-558-748-000	MOTOR FUEL		29.75			
	592-558-748-000	MOTOR FUEL		29.75			
	101-728-748-000	MOTOR FUEL		19.52			
	101-371-748-000	MOTOR FUEL		27.51			
	582-558-748-000	MOTOR FUEL		379.19			
	101-276-748-000	MOTOR FUEL		61.95			
	582-558-748-000	MOTOR FUEL		100.37			
	591-558-748-000	MOTOR FUEL		28.23			
	592-558-748-000	MOTOR FUEL		28.23			
	101-446-748-000	MOTOR FUEL		597.21			
	591-559-748-000	MOTOR FUEL		45.14			
	592-559-748-000	MOTOR FUEL		103.98			
	591-558-748-000	MOTOR FUEL		165.11			
	592-558-748-000	MOTOR FUEL		165.10			
	661-450-748-000	MOTOR FUEL & LUBRICANTS		253.01			
1020419636							
43212	GEMPLER'S	12/15/2014	01/20/2015	46.00	0.00	P	Y
	SAFTERY VEST	ksteinman					01/13/2015
	591-558-729-001	OTHER CLOTHING & SUPPLIES		23.00			
	592-558-729-001	OTHER CLOTHING & SUPPLIES		23.00			
JANUARY 15							
43213	GORDON HULL	01/07/2015	01/20/2015	2,358.50	0.00	P	Y
	CONTRACTUAL SERVICES	ksteinman					01/13/2015
	582-558-802-000	OTHER CONTRACTUAL SERVICES		2,358.50			
30820							
43214	JENSEN'S EXCAVATING INC	12/17/2014	01/20/2015	800.00	0.00	P	Y
	SAND FILL	ksteinman					01/13/2015
	591-558-741-000	OPERATING SUPPLIES		200.00			
	592-558-741-000	OPERATING SUPPLIES		200.00			
	101-446-741-000	OPERATING SUPPLIES		200.00			
	101-447-741-000	OPERATING SUPPLIES		200.00			
PAY REQ #3							
43249*	KALIN CONSTRUCTION CO, INC	01/13/2015	01/20/2015	320,124.24	0.00	P	Y
	DYCKMAN AVENUE RECONSTRUCTION	ksteinman					01/13/2015
	204-446-801-000-0158	PROFESSIONAL/CONSULTING FEES		349,407.31			
	204-002-211-127	CONTR RETAIN PYBLE - KALIN		(29,283.07)			

01/13/2015 12:22 PM
 User: ksteinman
 DB: South Haven

INVOICE REGISTER REPORT FOR CITY OF SOUTH HAVEN
 INVOICE DUE DATES 01/20/2015 - 01/20/2015
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Inv Num Inv Ref#	Vendor Description GL Distribution	Inv Date Entered By	Due Date	Inv Amt	Amt Due	Status	Jrnlized Post Date
CLIP34190 43215	LAWN BOYS INC IRRIGATION REPAIR 591-558-802-000	10/03/2014 ksteinman	01/20/2015	195.95	0.00	P	Y 01/13/2015
		OTHER CONTRACTUAL SERVICES		195.95			
12367 43216	ON DUTY GEAR LLC ARMOR EXPRESS RAZOR 101-301-729-000	12/29/2014 ksteinman	01/20/2015	2,145.00	0.00	P	Y 01/13/2015
		UNIFORMS		2,145.00			
5891678 43218	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-988-000-0175	01/06/2015 ksteinman	01/20/2015	7,450.32	0.00	P	Y 01/13/2015
		ELECTRICAL SYSTEM CONSTR		7,450.32			
5890652 43219	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-933-000	12/30/2014 ksteinman	01/20/2015	3,935.00	0.00	P	Y 01/13/2015
		REPAIRS/MAINTENANCE - EQUIPM		3,935.00			
5891689 43220	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-933-000	01/06/2015 ksteinman	01/20/2015	1,785.28	0.00	P	Y 01/13/2015
		REPAIRS/MAINTENANCE - EQUIPM		1,785.28			
5891688 43221	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-933-000	01/06/2015 ksteinman	01/20/2015	1,087.30	0.00	P	Y 01/13/2015
		REPAIRS/MAINTENANCE - EQUIPM		1,087.30			
5891305 43222	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-933-000	01/02/2015 ksteinman	01/20/2015	1,218.08	0.00	P	Y 01/13/2015
		REPAIRS/MAINTENANCE - EQUIPM		1,218.08			
5891733 43223	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-729-001	01/06/2015 ksteinman	01/20/2015	90.00	0.00	P	Y 01/13/2015
		OTHER CLOTHING & SUPPLIES		90.00			
5891732 43224	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-729-001	01/06/2015 ksteinman	01/20/2015	105.00	0.00	P	Y 01/13/2015
		OTHER CLOTHING & SUPPLIES		105.00			

01/13/2015 12:22 PM
 User: ksteinman
 DB: South Haven

INVOICE REGISTER REPORT FOR CITY OF SOUTH HAVEN
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Inv Num Inv Ref#	Vendor Description GL Distribution	Inv Date Entered By	Due Date	Inv Amt	Amt Due	Status	Jrnlized Post Date
5891731 43225	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-729-001	01/06/2015 ksteinman	01/20/2015	85.00	0.00	P	Y 01/13/2015
		OTHER CLOTHING & SUPPLIES		85.00			
5891561 43226	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-933-000	01/05/2015 ksteinman	01/20/2015	229.61	0.00	P	Y 01/13/2015
		REPAIRS/MAINTENANCE - EQUIPM		229.61			
5891322 43227	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-988-000-0175	01/02/2015 ksteinman	01/20/2015	38.65	0.00	P	Y 01/13/2015
		ELECTRICAL SYSTEM CONSTR		38.65			
5890651 43228	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-933-000	12/30/2014 ksteinman	01/20/2015	15.95	0.00	P	Y 01/13/2015
		REPAIRS/MAINTENANCE - EQUIPM		15.95			
5890647 43229	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-933-000	12/30/2014 ksteinman	01/20/2015	456.50	0.00	P	Y 01/13/2015
		REPAIRS/MAINTENANCE - EQUIPM		456.50			
5890648 43230	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-933-000	12/30/2014 ksteinman	01/20/2015	261.92	0.00	P	Y 01/13/2015
		REPAIRS/MAINTENANCE - EQUIPM		261.92			
5890649 43231	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-933-000	12/30/2014 ksteinman	01/20/2015	384.84	0.00	P	Y 01/13/2015
		REPAIRS/MAINTENANCE - EQUIPM		384.84			
5890646 43232	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-933-000	12/30/2014 ksteinman	01/20/2015	849.59	0.00	P	Y 01/13/2015
		REPAIRS/MAINTENANCE - EQUIPM		849.59			
5890888 43233	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-988-000-0175	12/31/2014 ksteinman	01/20/2015	665.20	0.00	P	Y 01/13/2015
		ELECTRICAL SYSTEM CONSTR		665.20			

INVOICE REGISTER REPORT FOR CITY OF SOUTH HAVEN

INVOICE DUE DATES 01/20/2015 - 01/20/2015

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Inv Num Inv Ref#	Vendor Description GL Distribution	Inv Date Entered By	Due Date	Inv Amt	Amt Due	Status	Jrnlized Post Date
5890650 43234	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-988-000-0175	12/30/2014 ksteinman ELECTRICAL SYSTEM CONSTR	01/20/2015	550.66 550.66	0.00	P	Y 01/13/2015
5890653 43235	POWER LINE SUPPLY CO MAINTENANCE SUPPLIES 582-558-933-000	12/30/2014 ksteinman REPAIRS/MAINTENANCE - EQUIPM	01/20/2015	676.70 676.70	0.00	P	Y 01/13/2015
148725 43236	RATHCO SAFETY SUPPLY INC ALUM SIGN 101-446-741-000	12/23/2014 ksteinman OPERATING SUPPLIES	01/20/2015	120.73 120.73	0.00	P	Y 01/13/2015
148665 43237	RATHCO SAFETY SUPPLY INC ALUM SIGN 101-446-741-000	12/17/2014 ksteinman OPERATING SUPPLIES	01/20/2015	294.44 294.44	0.00	P	Y 01/13/2015
255473 43238	RIVERSIDE ELECTRIC SERVICE INC 5 AMP VOLT SPEED CONT 661-450-741-003	12/30/2014 ksteinman REPAIR & MAINT SUPPLIES	01/20/2015	20.00 20.00	0.00	P	Y 01/13/2015
101081 43239	SECURALARM SYSTEMS INC SERVICE CALL 636-258-933-000	12/22/2014 ksteinman REPAIRS/MAINTENANCE - EQUIP	01/20/2015	664.94 664.94	0.00	P	Y 01/13/2015
192314 43240	SPRING BROOK SUPPLY SUPPLIES 592-570-933-000-0051	12/04/2014 ksteinman REPAIRS/MAINTENANCE - EQUIP	01/20/2015	47.96 47.96	0.00	P	Y 01/13/2015
744117 43241	TECHNICAL ENERGY SOLUTIONS DIGITAL CONTROLS CITY HALL 101-265-975-000	12/22/2014 ksteinman BUILDINGS/ADDITIONS IMPROVE	01/20/2015	30,000.00 30,000.00	0.00	P	Y 01/13/2015
861104 43242	TELE-RAD INC MAINTENANCE 101-301-933-001	12/23/2014 ksteinman REPAIR/MAINTENANCE - RADIOS	01/20/2015	1,695.15 1,695.15	0.00	P	Y 01/13/2015

INVOICE REGISTER REPORT FOR CITY OF SOUTH HAVEN
 INVOICE DUE DATES 01/20/2015 - 01/20/2015
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Inv Num Inv Ref#	Vendor Description GL Distribution	Inv Date Entered By	Due Date	Inv Amt	Amt Due	Status	Jrnalized Post Date
0528 43243	TREECORE TREE WORK 582-558-802-000 101-446-802-000 101-276-802-000	12/26/2014 ksteinman	01/20/2015	15,632.00	0.00	P	Y 01/13/2015
		OTHER CONTRACTUAL SERVICES		11,480.00			
		OTHER CONTRACTUAL SERVICES		3,916.00			
		OTHER CONTRACTUAL SERVICES		236.00			
0527 43244	TREECORE TREE WORK 582-558-988-000-0175	12/26/2014 ksteinman	01/20/2015	24,264.34	0.00	P	Y 01/13/2015
		ELECTRICAL SYSTEM CONSTR		24,264.34			
519890 43245	USA BLUE BOOK LAB SUPPLIES 592-559-741-000	12/11/2014 ksteinman	01/20/2015	524.07	0.00	P	Y 01/13/2015
		OPERATING SUPPLIES		524.07			
527775 43246	USA BLUE BOOK LAB SUPPLIES 592-559-741-000	12/23/2014 ksteinman	01/20/2015	(399.90)	0.00	P	Y 01/13/2015
		OPERATING SUPPLIES		(399.90)			
529423 43247	USA BLUE BOOK LAB SUPPLIES 591-559-741-000	12/29/2014 ksteinman	01/20/2015	69.57	0.00	P	Y 01/13/2015
		OPERATING SUPPLIES		69.57			
3372 43248	WINKEL'S COMMUNICATION INC RADIO MAINTENANCE 101-446-802-000 582-558-802-000 591-558-802-000 592-558-802-000	01/01/2015 ksteinman	01/20/2015	390.00	0.00	P	Y 01/13/2015
		OTHER CONTRACTUAL SERVICES		97.50			
		OTHER CONTRACTUAL SERVICES		97.50			
		OTHER CONTRACTUAL SERVICES		97.50			
		OTHER CONTRACTUAL SERVICES		97.50			
# of Invoices:	61	# Due:	0	Totals:	453,491.41	0.00	
# of Credit Memos:	3	# Due:	0	Totals:	(1,999.90)	0.00	
Net of Invoices and Credit Memos:					451,491.51	0.00	
* 1 Net Invoices have Credits Totalling:					(29,283.07)		

INVOICE REGISTER REPORT FOR CITY OF SOUTH HAVEN

INVOICE DUE DATES 01/20/2015 - 01/20/2015

JOURNALIZED OPEN AND PAID

BANK CODE: 1 - CHECK TYPE: PAPER CHECK

Inv Num	Vendor	Inv Date	Due Date	Inv Amt	Amt Due	Status	Jrnalized
Inv Ref#	Description	Entered By					Post Date
	GL Distribution						
--- TOTALS BY FUND ---							
	101 - GENERAL FUND			49,458.49	0.00		
	204 - STREET FUND			320,213.48	0.00		
	250 - DOWNTOWN DVLP AUTHORITY			262.00	0.00		
	582 - ELECTRIC FUND			65,582.72	0.00		
	591 - WATER FUND			6,755.82	0.00		
	592 - SEWER FUND			7,021.64	0.00		
	636 - INFORMATION SERVICES FUND			664.94	0.00		
	661 - MOTOR POOL FUND			1,532.42	0.00		
--- TOTALS BY DEPT/ACTIVITY ---							
	002 - LIABILITIES			(29,283.07)	0.00		
	258 - DATA PROCESSING			664.94	0.00		
	265 - BUILDINGS & GROUNDS			30,000.00	0.00		
	276 - CEMETERY DEPARTMENT			4,040.00	0.00		
	301 - POLICE			5,376.22	0.00		
	371 - BUILDING INSPECTIONS			2,053.31	0.00		
	446 - HIGHWAYS & STREETS			354,833.00	0.00		
	447 - ENGINEERING			1,454.24	0.00		
	450 - EQUIPMENT MAINTENANCE			1,532.42	0.00		
	558 - OPERATIONS			69,201.91	0.00		
	559 - TREATMENT			10,110.31	0.00		
	570 - LIFTSTATIONS - CITY			47.96	0.00		
	728 - ECONOMIC DEVELOPMENT			19.52	0.00		
	729 - DOWNTOWN DEVELOPMENT			262.00	0.00		
	804 - MUSEUMS			1,178.75	0.00		

Check Date	Bank	Check	Vendor	Vendor Name	Amount
Bank 1 FIFTH THIRD BANK					
12/31/2014	1	49824	MISC	CITY OF SOUTH HAVEN	18.76
12/31/2014	1	49825	000471	CITY PLUMBING & HEATING CO	1,030.00
12/31/2014	1	49826	MISC	GOLDMAN JEANINE	2,091.89
12/31/2014	1	49827	MISC	HEARTLAND FOOD PRODUCTS INC	28.26
12/31/2014	1	49828	001067	HI TEC BUILDING SERVICES	3,908.42
12/31/2014	1	49829	MISC	PETERSON JACOB R	1,315.97
12/31/2014	1	49830	MISC	PYSZKA BRIAN R & ANN L	1,461.73
12/31/2014	1	49831	MISC	ROTARY UNIFORMS	419.60
12/31/2014	1	49832	MISC	SOUTH HAVEN COMMUNITY HOSPITAL	1,606.33
12/31/2014	1	49833	002757	VAN BUREN COUNTY TREASURER	4,933.43
12/31/2014	1	49834	MISC	ALDOUS LAND LLC	2,279.88
01/05/2015	1	49835	UB REFUND	1ST SOURCE BANK	353.48
01/05/2015	1	49836	003295	TOM HENKEL	422.87
01/05/2015	1	49837	000309	A.D. BOS OFFICE COFFEE SERVICE	47.93
01/05/2015	1	49838	000498	COMCAST	59.70
01/05/2015	1	49839	000519	CONSUMERS ENERGY	157.69
01/05/2015	1	49840	000660	DOMESTIC LINEN-KALAMAZOO	2,202.91
01/05/2015	1	49841	000837	FREIGHTLINER OF KALAMAZOO	54.17
01/05/2015	1	49842	UB REFUND	GOODSON, KANE C	72.37
01/05/2015	1	49843	001120	HYDRO DESIGNS INC	995.00
01/05/2015	1	49844	001141	INDIANA MICHIGAN POWER	31.23
01/05/2015	1	49845	001141	INDIANA MICHIGAN POWER	90.34
01/05/2015	1	49846	001162	INTERSTATE BATTERY SYSTEMS	564.16
01/05/2015	1	49847	001196	JOHN'S STEREO INC	84.98
01/05/2015	1	49848	003332	KORTERRA	5,300.00
01/05/2015	1	49849	001412	LITTLE OSCAR'S SCREEN PRINTS	244.00
01/05/2015	1	49850	001523	MC FADDEN FRIENDLY MOTORS INC	16.48
01/05/2015	1	49851	UB REFUND	REVILLA, DONNA J	69.14
01/05/2015	1	49852	002424	SOUTH HAVEN/CASCO	87,213.26
01/08/2015	1	49853	003304	APPRAISALS PLUS GROUP, INC.	3,500.00
01/08/2015	1	49854	000177	AUTOWARES INC	441.53
01/08/2015	1	49855	UB REFUND	BLACKSTON, AARON, W	174.37
01/08/2015	1	49856	UB REFUND	BLOOMER, HEATHER M	218.51
01/08/2015	1	49857	UB REFUND	DAILEY, NICK C	83.64
01/08/2015	1	49858	003213	DALE CLAYTON	78.53
01/08/2015	1	49859	000843	FRONTIER	3,576.22
01/08/2015	1	49860	000994	HAPA LLC	7,073.92 V
01/08/2015	1	49861	001544	MENARDS	610.11
01/08/2015	1	49862	001620	MICHIGAN MUNICIPAL LEAGUE	2,387.16
01/08/2015	1	49863	003057	MICHAEL PAULY	50.49
01/08/2015	1	49864	002010	POOLE, PHILLIP	822.88
01/08/2015	1	49865	002033	PRI MAR PETROLEUM INC	15.00
01/08/2015	1	49866	002155	RIDGE AND KRAMER AUTO PARTS	197.50
01/08/2015	1	49867	003047	ERIC SMITH	78.53
01/08/2015	1	49868	002418	SOUTH HAVEN SMALL ENGINES	286.29
01/08/2015	1	49869	002645	TRACTOR SUPPLY CREDIT PLAN	652.51
01/08/2015	1	49870	002724	UPS STORE #5080	32.69
01/08/2015	1	49871	002800	VILLAGE MARKET #869	609.19
01/08/2015	1	49872	002949	WOLVERINE HARDWARE	41.73
01/08/2015	1	49873	003076	KEVIN WILDEY	128.70
01/12/2015	1	49874	000994	HAPA LLC	6,945.22
01/12/2015	1	49875	002386	SOUTH HAVEN AREA CHAMBER	6,250.00
01/12/2015	1	49876	000059	ALLEGAN COUNTY TREASURER	1,790.67 V
01/12/2015	1	49877	002395	SOUTH HAVEN COMMUNITY HOSPITAL	51,925.62
01/12/2015	1	49878	002415	SOUTH HAVEN PUBLIC SCHOOLS	12,428.36
01/12/2015	1	49879	002417	SOUTH HAVEN SENIOR SERVICES	38,966.19
01/12/2015	1	49880	002757	VAN BUREN COUNTY TREASURER	427,512.67
01/12/2015	1	49881	002758	VAN BUREN INTERMEDIATE	938,545.72
01/12/2015	1	49882	000059	ALLEGAN COUNTY TREASURER	1,790.67
01/12/2015	1	49883	002417	SOUTH HAVEN SENIOR SERVICES	311.73

1 TOTALS:

Total of 60 Checks:	1,624,600.33
Less 2 Void Checks:	8,864.59
Total of 58 Disbursements:	<u>1,615,735.74</u>

Check Date	Bank	Check	Vendor	Vendor Name	Amount
Bank 1 FIFTH THIRD BANK					
12/31/2014	1	71(E)	003227	FIFTH THIRD BANK	59,394.57
01/07/2015	1	72(E)	003062	MCAAA	23,314.25
1 TOTALS:					
Total of 2 Checks:					82,708.82
Less 0 Void Checks:					0.00
Total of 2 Disbursements:					82,708.82

MEMO

DATE: January 16, 2015

TO: Brian Dissette
City Manager

FROM: Amanda Morgan
City Clerk-Customer Service Manager

SUBJECT: City Hall Renovations Project

City Council is being asked to award the bid for City Hall Renovations Project, Contract A to CPM Construction and Contract B to Paul Perez Painting.

In April 2014 staff worked with Abonmarche to develop a set of plans for renovations to City Hall, focused on improvements to basement and the Customer Service Area at City Hall. The basement renovations included improved lighting in both the basement and stairways, resurfacing the floor and installing anti-slip nosing on the stairs. The renovations to the Customer Service Area included improvements to allow for additional work areas and increased security of the office. These renovations were included in the FY 2014/15 budget.

The plans were bid in several contracts. The first contract for the lighting and stair renovations were awarded and completed over the summer. While Contract A for the Customer Service Renovations, and Contract B for the basement floor painting were just recently bid.

Abonmarche has reviewed the plans and has recommended awarding Contract A to SPM Construction in the amount of \$58,935 and Contract B to Paul Perez Painting in the amount of \$9,200.

If approved, the work on the Customer Service Area will be scheduled to begin on March 7th and in order to minimize the impact on customer service the contractors will complete the work 11 days. All City Hall offices will remain open during the construction project.

January 13, 2015

Brian Dissette, City Manager
Amanda Morgan, Customer Service Manager
City of South Haven
539 Phoenix Street
South Haven, MI 49090-1499

Re: City Hall Renovations Project Recommendation

Dear Brian & Amanda,

Bids were received on the above project today, January 13, 2015 at 10:00 am. Three bids were received per the attached bid tabulation form.

As shown in the bid tabulation form, there were two bids for the Customer Service Area Renovations (Contract A) and two bids for the Lower Level Floor Painting portion (Contract B). All bids received were separate bids and there was no combined contract pricing.

We recommend that the City award Contract A for the Customer Service Area to CPM Construction for the base bid amount of \$58,935.00, and Contract B for Lower Level Painting to Paul Perez Painting for the bid amount of \$9,200.00.

Please contact me should you have any questions or comments with regards to our recommendations. We look forward to assisting the City with the implementation of this important project.

Sincerely,



Jeffrey M. Saylor, AIA/LEED, AP
Vice President

\\TUNGSTEN\Public\Projects\2014 PROJECTS\14-0220 SH City Hall Remodeling\Corr - Memo\2015-1-13 Brian Dissette letter.docx

South Haven City Hall Renovation
City of South Haven
13-Jan-15
Project # 14-0220

CONTRACTOR:	CPM Construction	McGuires Prof. Construction	Paul Perez Painting			
LOCATION:	St. Joseph	Benton Harbor	South Haven			
Bid Contract A	\$ 58,935.00	\$ 67,098.00	N/A			
Bid Contract B	no bid	\$ 15,627.00	\$ 9,200.00			
Discount for combined contracts	\$ -	\$ -	\$ -			
Bid Bond/Deposit	Y	Y	no			
Changes to the Work: Overhead %	10	15	N/A			
Profit %	15	15	N/A			
Bond %	1.5	2	N/A			
Acknowledged Addenda #1	Y	Y	N/A			
Bid Form Signatures	Y	Y	not notarized			
Bidder completed Subcontractors Form	Y	Y	Y			
Alternate A-1	\$ 2,708.73	\$ 1,238.00	N/A			
Voluntary Alternates (Add) (Deduct)	\$ -	\$ -	\$ -			
Voluntary Alternates (Add) (Deduct)	\$ -	\$ -	\$ -			
Bidder completed non-collusion affidavit	Y	Y	Y*			
Bidder completed non-asbestos affidavit	Y	Y	Y*			
Notes:			Bid was on time - additional paperwork* submitted at 11 a.m.			

SECTION 00 4100

BID FORM

THE PROJECT AND THE PARTIES

TO:

City of South Haven, Owner
539 Phoenix Street
South Haven, MI 49090

FOR:

City Hall Renovations Project

BID DUE DATE: JANUARY 13, 2015

SUBMITTED BY: (BIDDER TO ENTER NAME AND ADDRESS)

Bidder's Full Name CPM Construction, Inc.
Address 2560 S. Cleveland Ave. #7
City, State, Zip St. Joseph, MI 49085

OFFER

Having examined the Place of The Work and all matters referred to in the Instructions to Bidders and the Contract Documents prepared by Abonmarche for the above mentioned project, we, the undersigned, hereby offer to enter into a Contract to perform the Work for the Sum of:

Bidder may submit for any or all contracts individually and if interested in offering a discount for combined contracts A & B, please list that amount separately.

Contract A - Customer Service Center Renovations:

FIFTY EIGHT THOUSAND NINE HUNDRED THIRTY FIVE DOLLARS
dollars (\$ 58,935.00), in lawful money of the United States of America.

Contract B - Lower Level Floor Painting:

NA
dollars (\$ 0), in lawful money of the United States of America.

Combined Contracts Discount amount:

NA
dollars (\$ 0), in lawful money of the United States of America.

We have included the required security Bid Bond as required by the Instruction to Bidders.

We acknowledge visiting the site before making an offer to the City of South Haven:

Bidder: NA

All applicable federal taxes along with permit fees are included and State of Michigan sales taxes are included in the Bid Sum.

ACCEPTANCE

This offer shall be open to acceptance and is irrevocable for 60 days from the bid closing date.

If this bid is accepted by City of South Haven within the time period stated above, we will:

Execute the Agreement within thirteen days of receipt of acceptance of this bid.

Indicate that work will commence at the appointed time.

In the event our bid is not accepted within the time stated above, the required security deposit shall be returned to the undersigned, in accordance with the provisions of the Instructions to Bidders; unless a mutually satisfactory arrangement is made for its retention and validity for an extended period of time.

CONTRACT TIME

Substantial Completion Phase #1 - March 16, 2015.

Final Completion of Phase #1 including Punch List Items - March 23, 2015
Substantial Completion Phase #2 - March 23, 2015.
Final Completion of Phase #2 including Punch List Items - March 30, 2015.

CHANGES TO THE WORK

When Architect establishes that the method of valuation for Changes in the Work will be net cost plus a percentage fee in accordance with General Conditions, our percentage fee will be:

Overhead: 10 %
Profit: 15 %
Bond: 1.5 %

ADDENDA

The following Addenda have been received. The modifications to the Bid Documents noted below have been considered and all costs are included in the Bid Sum.

Addendum # 1 Dated 1-6-15
Addendum # _____ Dated _____
Addendum # _____ Dated _____
Addendum # _____ Dated _____

BID FORM SUPPLEMENTS

The following information is included with Bid submission:

The following Supplements are attached to this Bid Form and are considered an integral part of this Bid Form:

- Document 00 4323 - Supplement A - Alternatives: Include the cost variations to the Bid Sum applicable to the Work as described in Section 01 2300.
- Document 00 4400 - Supplement J - Non-Collusion Affidavit
- Document 00 4410 - Supplement K - Non-Asbestos Affidavit
- Document 00 4336 - Subcontractors: Include the names of all Subcontractors and the portions of the Work they will perform.

BID FORM SIGNATURE(S)

The Corporate Seal of

CPM Construction, Inc.

(Bidder - print the full name of your firm)

was hereunto affixed in the presence of:

Christopher P. Miller

(Authorized signing officer, Title) Christopher P. Miller, President

(Seal)

(Authorized signing officer, Title)

IF THE BID IS A JOINT VENTURE OR PARTNERSHIP, ADD ADDITIONAL FORMS OF EXECUTION FOR EACH MEMBER OF THE JOINT VENTURE IN THE APPROPRIATE FORM OR FORMS AS ABOVE.

END OF BID FORM

SECTION 00 4323
SUPPLEMENT A - LIST OF ALTERNATIVES

PARTICULARS

THE FOLLOWING IS THE LIST OF ALTERNATIVES REFERENCED IN THE BID SUBMITTED BY:

(BIDDER) CPM Construction, Inc.

TO: THE CITY OF SOUTH HAVEN

DATED 1-13-15 AND WHICH IS AN INTEGRAL PART OF THE BID FORM.

ALTERNATIVES LIST

THE FOLLOWING AMOUNTS SHALL BE TOTAL STAND ALONE COSTS FOR EACH PARTICULAR ALTERNATE LISTED AND SHALL NOT BE COSTS TO BE ADDED OR DEDUCTED FROM THE BASE BID AMOUNT. REFER TO SECTION 01 2300 - ALTERNATIVES: SCHEDULE OF ALTERNATIVES.

CONTRACT A

ALTERNATIVE A-1: (ADD) WALL OPEINING BETWEEN CUSTOMER SERVICE (RM #102) AND OFFICE (RM #104).

\$ 2,708.73

VOLUNTARY ALTERNATES: (ADD) (DEDUCT) \$ Ø

Description:

VOLUNTARY ALTERNATES: (ADD) (DEDUCT) \$ Ø

Description:

END OF ALTERNATE SUPPLEMENT

SECTION 00 4336

SUPPLEMENT A - LIST OF MAJOR SUBCONTRACTORS

PARTICULARS

HEREWITH IS THE LIST OF SUBCONTRACTORS REFERENCED IN THE BID SUBMITTED BY:
(BIDDER)

CPM Construction, Inc.

TO (OWNER) CITY OF SOUTH HAVEN

DATED 1-13-15 AND WHICH IS AN INTEGRAL PART OF THE BID FORM.

THE FOLLOWING WORK WILL BE PERFORMED (OR PROVIDED) BY SUBCONTRACTORS
AND COORDINATED BY US:

LIST OF SUBCONTRACTORS

WORK SUBJECT	SUBCONTRACTOR NAME (ONE NAME ONLY)
DEMOLITION CONTRACTOR	CPM
FINISH CARPENTRY CONTRACTOR	CPM
METAL STUDS & DRYWALL CONTRACTOR	MOSES
STEEL DOORS, FRAMES, DOOR HARDWARE CONTRACTOR	CPM
FLOORING CONTRACTOR	CPT. SERVICES
SUSPENDED CEILING CONTRACTOR	MOSES
GYPSUM BOARD FINISHING CONTRACTOR	MOSES
PAINTING CONTRACTOR	P. TONEY
HVAC CONTRACTOR	FIVE STAR
ELECTRICAL CONTRACTOR	TOWN-N-COUNTRY ELES

END OF SUPPLEMENT FORM

SECTION 00 4400
SUPPLEMENT J - NON-COLLUSION AFFIDAVIT

STATE OF Michigan

COUNTY OF Berrien

THE UNDERSIGNED BIDDER OR AGENT, BEING DUALY SWORN, ON OATH SAYS THAT HE WILL NOT, NOR WILL ANY OTHER MEMBER, REPRESENTATIVE, OR AGENT OF THE FIRM, COMPANY, CORPORATION OR PARTNERSHIP REPRESENTED BY HIM, ENTER INTO ANY COMBINATION, COLLUSION OR AGREEMENT WITH ANY PERSON RELATIVE TO THE PRICE TO BE BID BY ANYONE AT SUCH LETTING, NOR TO PREVENT ANY PERSON FROM BIDDING NOT TO INDUCE ANYONE TO REFRAIN FROM BIDDING, AND THAT HIS BID IS MADE WITHOUT REFERENCE TO ANY OTHER BID AND WITH OUT ANY AGREEMENT, UNDERSTANDING, OR COMBINATION WITH ANY OTHER PERSON IN REFERENCE TO SUCH BIDDING IN ANY WAY OR MANNER WHATEVER.

BIDDER OR AGENT
CPM - P. Miller

FOR: CPM Construction, Inc.

FIRM OR CORPORATION

SUBSCRIBED AND SWORN TO BEFORE ME THIS
13th DAY OF January, 2015.

NOTARY PUBLIC
Susan M. Rood

MY COMMISSION EXPIRES: 3/12/2019



END OF SUPPLEMENT J

SECTION 00 4410
SUPPLEMENT K - NON-ASBESTOS AFFIDAVIT

STATE OF Michigan

COUNTY OF Berrien

THE UNDERSIGNED BIDDER OR AGENT, BEING DULY SWORN, ON OATH SAYS THAT HE WILL NOT, NOR WILL ANY OTHER SUBCONTRACTOR, REPRESENTATIVE, OR AGENT OF THE FIRM, COMPANY, CORPORATION OR PARTNERSHIP REPRESENTED BY HIM, PURCHASE EQUIPMENT CONTAINING ASBESTOS, OR INSTALL ASBESTOS CONTAINING MATERIAL FOR THIS FACILITY.

TYPED NAME

Christopher P. Miller

TYPED TITLE

President

BIDDER OR AGENT

Christopher P. Miller

FOR: CPM Construction, Inc.

FIRM OR CORPORATION

SUBSCRIBED AND SWORN TO BEFORE ME THIS

13th DAY OF January, 2015.

NOTARY PUBLIC

Susan M. Rood

MY COMMISSION EXPIRES: 3/12/2019

SUSAN M ROOD
Notary Public, State of Michigan
County of Berrien
My Commission Expires Mar. 12, 2019
Acting in the County of Berrien

END OF SUPPLEMENT K



AIA Document A310™ – 2010

Bid Bond

CONTRACTOR:

(Name, legal status and address)

CPM Construction, Inc.
2650 South Cleveland Avenue
St. Joseph, MI 49085

SURETY:

(Name, legal status and principal place of business)

United Fire & Casualty Company
118 Second Avenue SE
Cedar Rapids, IA 52407-3909

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

Any singular reference to Contractor, Surety, Owner or other party shall be considered plural where applicable.

OWNER:

(Name, legal status and address)

The City of South Haven

BOND AMOUNT: Five Percent of Bid (5% of Bid)

PROJECT:

*City Hall Renovations
(Name, location or address, and Project number, if any)*

The Contractor and Surety are bound to the Owner in the amount set forth above, for the payment of which the Contractor and Surety bind themselves, their heirs, executors, administrators, successors and assigns, jointly and severally, as provided herein. The conditions of this Bond are such that if the Owner accepts the bid of the Contractor within the time specified in the bid documents, **or** within such time period as may be agreed to by the Owner and Contractor, and the Contractor either (1) enters into a contract with the Owner in accordance with the terms of such bid, and gives such bond or bonds as may be specified in the bidding or Contract Documents, with a surety admitted in the jurisdiction of the Project and otherwise acceptable to the Owner, for the faithful performance of such Contract and for the prompt payment of labor and material furnished in the prosecution thereof; or (2) pays to the Owner the difference, not to exceed the amount of this Bond, between the amount specified in said bid and such larger amount for which the Owner may in good faith contract with another party to perform the work covered by said bid, then this obligation shall be null and void, otherwise to remain in full force and effect. The Surety hereby waives any notice of an agreement between the Owner and Contractor to extend the time in which the Owner may accept the bid. Waiver of notice by the Surety shall not apply to any extension exceeding sixty (60) days in the aggregate beyond the time for acceptance of bids specified in the bid documents, and the Owner and Contractor shall obtain the Surety's consent for an extension beyond sixty (60) days.

If this Bond is issued in connection with a subcontractor's bid to a Contractor, the term Contractor in this Bond shall be deemed to be Subcontractor and the term Owner shall be deemed to be Contractor.

When this Bond has been furnished to comply with a statutory or other legal requirement in the location of the Project, any provision in this Bond conflicting with said statutory or legal requirement shall be deemed deleted herefrom and provisions conforming to such statutory or other legal requirement shall be deemed incorporated herein. When so furnished, the intent is that this Bond shall be construed as a statutory bond and not as a common law bond.

Signed and sealed this 13 day of January, 2015



(Witness)



(Witness) Tom Piotrowski

CPM Construction, Inc.
(Principal)  *(Seal)*

(Title)
United Fire & Casualty Company
(Surety)  *(Seal)*

(Title) Lori A. King-Clyde, *Attorney-in-Fact*



UNITED FIRE & CASUALTY COMPANY, CEDAR RAPIDS, IA
UNITED FIRE & INDEMNITY COMPANY, GALVESTON, TX
FINANCIAL PACIFIC INSURANCE COMPANY, ROCKLIN, CA
CERTIFIED COPY OF POWER OF ATTORNEY

Inquiries: Surety Department
118 Second Ave SE
Cedar Rapids, IA 52401

(original on file at Home Office of Company – See Certification)

KNOW ALL PERSONS BY THESE PRESENTS, That UNITED FIRE & CASUALTY COMPANY, a corporation duly organized and existing under the laws of the State of Iowa; UNITED FIRE & INDEMNITY COMPANY, a corporation duly organized and existing under the laws of the State of Texas; and FINANCIAL PACIFIC INSURANCE COMPANY, a corporation duly organized and existing under the laws of the State of California (herein collectively called the Companies), and having their corporate headquarters in Cedar Rapids, State of Iowa, does make, constitute and appoint JOHN T. FOSTER, OR LORI A. KING-CLYDE, OR JAMES N. SLEAR, OR ROBIN STITES, OR DAN CUSENZA, ALL INDIVIDUALLY of LANSING MI

their true and lawful Attorney(s)-in-Fact with power and authority hereby conferred to sign, seal and execute in its behalf all lawful bonds, undertakings and other obligatory instruments of similar nature provided that no single obligation shall exceed \$10,000,000.00 and to bind the Companies thereby as fully and to the same extent as if such instruments were signed by the duly authorized officers of the Companies and all of the acts of said Attorney, pursuant to the authority hereby given and hereby ratified and confirmed.

The Authority hereby granted shall expire the 16th day of October, 2015 unless sooner revoked by UNITED FIRE & CASUALTY COMPANY, UNITED FIRE & INDEMNITY COMPANY, AND FINANCIAL PACIFIC INSURANCE COMPANY.

This Power of Attorney is made and executed pursuant to and by authority of the following bylaw duly adopted on May 15, 2013, by the Boards of Directors of UNITED FIRE & CASUALTY COMPANY, UNITED FIRE & INDEMNITY COMPANY, and FINANCIAL PACIFIC INSURANCE COMPANY.

“Article VI – Surety Bonds and Undertakings”

Section 2, Appointment of Attorney-in-Fact. “The President or any Vice President, or any other officer of the Companies may, from time to time, appoint by written certificates attorneys-in-fact to act in behalf of the Companies in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. The signature of any officer authorized hereby, and the Corporate seal, may be affixed by facsimile to any power of attorney or special power of attorney or certification of either authorized hereby; such signature and seal, when so used, being adopted by the Companies as the original signature of such officer and the original seal of the Companies, to be valid and binding upon the Companies with the same force and effect as though manually affixed. Such attorneys-in-fact, subject to the limitations set forth in their respective certificates of authority shall have full power to bind the Companies by their signature and execution of any such instruments and to attach the seal of the Companies thereto. The President or any Vice President, the Board of Directors or any other officer of the Companies may at any time revoke all power and authority previously given to any attorney-in-fact.

IN WITNESS WHEREOF, the COMPANIES have each caused these presents to be signed by its vice president and its corporate seal to be hereto affixed this 16th day of October, 2013

UNITED FIRE & CASUALTY COMPANY
UNITED FIRE & INDEMNITY COMPANY
FINANCIAL PACIFIC INSURANCE COMPANY

By: *Dennis J. Richmann* Vice President

State of Iowa, County of Linn, ss:

On 16th day of October, 2013, before me personally came Dennis J. Richmann

to me known, who being by me duly sworn, did depose and say; that he resides in Cedar Rapids, State of Iowa; that he is a Vice President of UNITED FIRE & CASUALTY COMPANY, a Vice President of UNITED FIRE & INDEMNITY COMPANY, and a Vice President of FINANCIAL PACIFIC INSURANCE COMPANY the corporations described in and which executed the above instrument; that he knows the seal of said corporations; that the seal affixed to the said instrument is such corporate seal; that it was so affixed pursuant to authority given by the Board of Directors of said corporations and that he signed his name thereto pursuant to like authority, and acknowledges same to be the act and deed of said corporations.



Judith A. Davis Notary Public
My commission expires: 4/23/2015

I, David A. Lange, Secretary of UNITED FIRE & CASUALTY COMPANY and Assistant Secretary of UNITED FIRE & INDEMNITY COMPANY, and Assistant Secretary of FINANCIAL PACIFIC INSURANCE COMPANY, do hereby certify that I have compared the foregoing copy of the Power of Attorney and affidavit, and the copy of the Section of the bylaws and resolutions of said Corporations as set forth in said Power of Attorney, with the ORIGINALS ON FILE IN THE HOME OFFICE OF SAID CORPORATIONS, and that the same are correct transcripts thereof, and of the whole of the said originals, and that the said Power of Attorney has not been revoked and is now in full force and effect.

In testimony whereof I have hereunto subscribed my name and affixed the corporate seal of the said Corporations

this 13 day of January, 2015.



By: *David A. Lange*

Secretary, UF&C
Assistant Secretary, UF&I/FPIC

SECTION 00 4100

BID FORM

THE PROJECT AND THE PARTIES

TO:

City of South Haven, Owner
539 Phoenix Street
South Haven, MI 49090

FOR:

City Hall Renovations Project

BID DUE DATE: JANUARY 13, 2015

SUBMITTED BY: (BIDDER TO ENTER NAME AND ADDRESS)

Bidder's Full Name McGUIRE'S PROFESSIONAL CONSTRUCTION, INC.
Address 335 URBANA AVE.
City, State, Zip BENTON HARBOR, MI 49022

OFFER

Having examined the Place of The Work and all matters referred to in the Instructions to Bidders and the Contract Documents prepared by Abonmarche for the above mentioned project, we, the undersigned, hereby offer to enter into a Contract to perform the Work for the Sum of:

Bidder may submit for any or all contracts individually and if interested in offering a discount for combined contracts A & B, please list that amount separately.

Contract A - Customer Service Center Renovations:

Sixty Seven Thousand Ninety Eight ^{none}
dollars (\$ 67,098.00), in lawful money of the United States of America.

Contract B - Lower Level Floor Painting:

FIFTEEN THOUSAND SIX HUNDRED TWENTY SEVEN DOLLARS. ^{00%}
dollars (\$ 15,627.00), in lawful money of the United States of America.

Combined Contracts Discount amount:

dollars (\$ _____), in lawful money of the United States of America.

We have included the required security Bid Bond as required by the Instruction to Bidders.

We acknowledge visiting the site before making an offer to the City of South Haven:

Bidder: _____

All applicable federal taxes along with permit fees are included and State of Michigan sales taxes are included in the Bid Sum.

ACCEPTANCE

This offer shall be open to acceptance and is irrevocable for 60 days from the bid closing date.

If this bid is accepted by City of South Haven within the time period stated above, we will:

Execute the Agreement within thirteen days of receipt of acceptance of this bid.

Indicate that work will commence at the appointed time.

In the event our bid is not accepted within the time stated above, the required security deposit shall be returned to the undersigned, in accordance with the provisions of the Instructions to Bidders; unless a mutually satisfactory arrangement is made for its retention and validity for an extended period of time.

CONTRACT TIME

Substantial Completion Phase #1 - March 16, 2015.

Final Completion of Phase #1 including Punch List Items - March 23, 2015
Substantial Completion Phase #2 - March 23, 2015.
Final Completion of Phase #2 including Punch List Items - March 30, 2015.

CHANGES TO THE WORK

When Architect establishes that the method of valuation for Changes in the Work will be net cost plus a percentage fee in accordance with General Conditions, our percentage fee will be:

Overhead: 15 %
Profit: 15 %
Bond: 2 %

ADDENDA

The following Addenda have been received. The modifications to the Bid Documents noted below have been considered and all costs are included in the Bid Sum.

Addendum # 1 Dated 1-6-2015.
Addendum # _____ Dated _____.
Addendum # _____ Dated _____.
Addendum # _____ Dated _____.

BID FORM SUPPLEMENTS

The following information is included with Bid submission:

The following Supplements are attached to this Bid Form and are considered an integral part of this Bid Form:

- Document 00 4323 - Supplement A - Alternatives: Include the cost variations to the Bid Sum applicable to the Work as described in Section 01 2300.
- Document 00 4400 - Supplement J - Non-Collusion Affidavit
- Document 00 4410 - Supplement K - Non-Asbestos Affidavit
- Document 00 4336 - Subcontractors: Include the names of all Subcontractors and the portions of the Work they will perform.

BID FORM SIGNATURE(S)

The Corporate Seal of

McGUIRE'S PROFESSIONAL CONSTRUCTION

(Bidder - print the full name of your firm)

was hereunto affixed in the presence of:

[Signature] President
(Authorized signing officer, Title)
(Seal)

(Authorized signing officer, Title)

IF THE BID IS A JOINT VENTURE OR PARTNERSHIP, ADD ADDITIONAL FORMS OF EXECUTION FOR EACH MEMBER OF THE JOINT VENTURE IN THE APPROPRIATE FORM OR FORMS AS ABOVE.

END OF BID FORM

SECTION 00 4323
SUPPLEMENT A - LIST OF ALTERNATIVES

PARTICULARS

THE FOLLOWING IS THE LIST OF ALTERNATIVES REFERENCED IN THE BID SUBMITTED BY:

(BIDDER) McGUIRE'S PROFESSIONAL CONSTRUCTION.

TO: THE CITY OF SOUTH HAVEN

DATED 1-12-2015 AND WHICH IS AN INTEGRAL PART OF THE BID FORM.

ALTERNATIVES LIST

THE FOLLOWING AMOUNTS SHALL BE TOTAL STAND ALONE COSTS FOR EACH PARTICULAR ALTERNATE LISTED AND SHALL NOT BE COSTS TO BE ADDED OR DEDUCTED FROM THE BASE BID AMOUNT. REFER TO SECTION 01 2300 - ALTERNATIVES: SCHEDULE OF ALTERNATIVES.

CONTRACT A

ALTERNATIVE A-1: (ADD) WALL OPEINING BETWEEN CUSTOMER SERVICE (RM #102) AND OFFICE (RM #104).

\$ 1,238.⁰⁰/₁₀₀

VOLUNTARY ALTERNATES: (ADD) (DEDUCT) \$ _____

Description:

VOLUNTARY ALTERNATES: (ADD) (DEDUCT) \$ _____

Description:

END OF ALTERNATE SUPPLEMENT

SECTION 00 4336

SUPPLEMENT A - LIST OF MAJOR SUBCONTRACTORS

PARTICULARS

HEREWITH IS THE LIST OF SUBCONTRACTORS REFERENCED IN THE BID SUBMITTED BY:
(BIDDER) McGUIRE'S PROFESSIONAL CONSTRUCTION

TO (OWNER) CITY OF SOUTH HAVEN

DATED 1-12-2015 AND WHICH IS AN INTEGRAL PART OF THE BID FORM.

THE FOLLOWING WORK WILL BE PERFORMED (OR PROVIDED) BY SUBCONTRACTORS
AND COORDINATED BY US:

LIST OF SUBCONTRACTORS

WORK SUBJECT	SUBCONTRACTOR NAME (ONE NAME ONLY)
DEMOLITION CONTRACTOR	<u>McGUIRE'S PROFESSIONAL CONSTRUCTION</u>
FINISH CARPENTRY CONTRACTOR	<u>McGUIRE'S PROFESSIONAL CONSTRUCTION</u>
METAL STUDS & DRYWALL CONTRACTOR	<u>RITSEMA ASSOCIATES</u>
STEEL DOORS, FRAMES, DOOR HARDWARE CONTRACTOR	<u>McGUIRE'S PROFESSIONAL CONSTRUCTION</u>
FLOORING CONTRACTOR	<u>COMFORT CARPETS</u>
SUSPENDED CEILING CONTRACTOR	<u>RITSEMA ASSOCIATES</u>
GYPSUM BOARD FINISHING CONTRACTOR	<u>RITSEMA ASSOCIATES</u>
PAINTING CONTRACTOR	<u>WEST MICHIGAN PAINTING</u>
HVAC CONTRACTOR	<u>McGUIRE'S PROFESSIONAL CONSTRUCTION</u>
ELECTRICAL CONTRACTOR	<u>IRVIN COUNTY ELECTRIC</u>

END OF SUPPLEMENT FORM

SECTION 00 4400

SUPPLEMENT J - NON-COLLUSION AFFIDAVIT

STATE OF MICHIGAN

COUNTY OF BERRIEN

THE UNDERSIGNED BIDDER OR AGENT, BEING DUALY SWORN, ON OATH SAYS THAT HE WILL NOT, NOR WILL ANY OTHER MEMBER, REPRESENTATIVE, OR AGENT OF THE FIRM, COMPANY, CORPORATION OR PARTNERSHIP REPRESENTED BY HIM, ENTER INTO ANY COMBINATION, COLLUSION OR AGREEMENT WITH ANY PERSON RELATIVE TO THE PRICE TO BE BID BY ANYONE AT SUCH LETTING, NOR TO PREVENT ANY PERSON FROM BIDDING NOT TO INDUCE ANYONE TO REFRAIN FROM BIDDING, AND THAT HIS BID IS MADE WITHOUT REFERENCE TO ANY OTHER BID AND WITH OUT ANY AGREEMENT, UNDERSTANDING, OR COMBINATION WITH ANY OTHER PERSON IN REFERENCE TO SUCH BIDDING IN ANY WAY OR MANNER WHATEVER.

BIDDER OR AGENT
JARROD A. KEMAF

FOR: McGUIRE'S PROFESSIONAL CONST.

FIRM OR CORPORATION

SUBSCRIBED AND SWORN TO BEFORE ME THIS
12 DAY OF January, 2015.

NOTARY PUBLIC
Stephanie R. Portt

MY COMMISSION EXPIRES: 1/4/2020

END OF SUPPLEMENT J



SECTION 00 4400

SUPPLEMENT J - NON-COLLUSION AFFIDAVIT

STATE OF MICHIGAN

COUNTY OF BERRIEN

THE UNDERSIGNED BIDDER OR AGENT, BEING DUALY SWORN, ON OATH SAYS THAT HE WILL NOT, NOR WILL ANY OTHER MEMBER, REPRESENTATIVE, OR AGENT OF THE FIRM, COMPANY, CORPORATION OR PARTNERSHIP REPRESENTED BY HIM, ENTER INTO ANY COMBINATION, COLLUSION OR AGREEMENT WITH ANY PERSON RELATIVE TO THE PRICE TO BE BID BY ANYONE AT SUCH LETTING, NOR TO PREVENT ANY PERSON FROM BIDDING NOT TO INDUCE ANYONE TO REFRAIN FROM BIDDING, AND THAT HIS BID IS MADE WITHOUT REFERENCE TO ANY OTHER BID AND WITH OUT ANY AGREEMENT, UNDERSTANDING, OR COMBINATION WITH ANY OTHER PERSON IN REFERENCE TO SUCH BIDDING IN ANY WAY OR MANNER WHATEVER.

BIDDER OR AGENT
JARROD A. KEMAF

FOR: McGUIRE'S PROFESSIONAL CONST.
FIRM OR CORPORATION

SUBSCRIBED AND SWORN TO BEFORE ME THIS
12 DAY OF January, 2015.

NOTARY PUBLIC
Stephanie R. Portt

MY COMMISSION EXPIRES: 1/4/2020

END OF SUPPLEMENT J



SECTION 00 4410

SUPPLEMENT K - NON-ASBESTOS AFFIDAVIT

STATE OF MICHIGAN

COUNTY OF BERRIEN

THE UNDERSIGNED BIDDER OR AGENT, BEING DULY SWORN, ON OATH SAYS THAT HE WILL NOT, NOR WILL ANY OTHER SUBCONTRACTOR, REPRESENTATIVE, OR AGENT OF THE FIRM, COMPANY, CORPORATION OR PARTNERSHIP REPRESENTED BY HIM, PURCHASE EQUIPMENT CONTAINING ASBESTOS, OR INSTALL ASBESTOS CONTAINING MATERIAL FOR THIS FACILITY.

JARROD A. KEMAF

TYPED NAME
ESTIMATOR / AM

TYPED TITLE

BIDDER OR AGENT

FOR: McGUIRE'S PROFESSIONAL CONSTRUCTION
FIRM OR CORPORATION

SUBSCRIBED AND SWORN TO BEFORE ME THIS
12 DAY OF January, 2015.

NOTARY PUBLIC
Stephanie R. Portt

MY COMMISSION EXPIRES: 1/4/2020

END OF SUPPLEMENT K



282111107 NEW 01/08 8810004306

HOLD DOCUMENT UP TO THE LIGHT TO VIEW TRUE WATERMARK

HOLD DOCUMENT UP TO THE LIGHT TO VIEW TRUE WATERMARK

CHASE 

CASHIER'S CHECK

9081706047

25-3

Date 01/12/2015

Void after 7 years

440

Remitter: MCGUIRE'S PROFESSIONAL CONSTRUCTION INC

Pay To The Order Of: CITY OF SOUTH HAVEN

Pay: FOUR THOUSAND DOLLARS AND 00 CENTS

**** 4,000.00 ****

Do not write outside this box

Memo: _____
Note: For information only. Comment has no effect on bank's payment.

Drawer: JPMORGAN CHASE BANK, N.A.

Paulaher

Senior Vice President
JPMorgan Chase Bank, N.A.
Columbus, OH



Security Features Details on Back.

⑈9081706047⑈ ⑆044000037⑆ 758661326⑈

SECTION 00 4100

BID FORM

THE PROJECT AND THE PARTIES

TO:

City of South Haven, Owner
539 Phoenix Street
South Haven, MI 49090

FOR:

City Hall Renovations Project

BID DUE DATE: JANUARY 13, 2015

SUBMITTED BY: (BIDDER TO ENTER NAME AND ADDRESS)

Bidder's Full Name Paul Perez
Address 64584 Territorial Rd.
City, State, Zip Hartford MI 49057

OFFER

Having examined the Place of The Work and all matters referred to in the Instructions to Bidders and the Contract Documents prepared by Abonmarche for the above mentioned project, we, the undersigned, hereby offer to enter into a Contract to perform the Work for the Sum of:

Bidder may submit for any or all contracts individually and if interested in offering a discount for combined contracts A & B, please list that amount separately.

Contract A - Customer Service Center Renovations:

dollars (\$ _____), in lawful money of the United States of America.

Contract B - Lower Level Floor Painting:

dollars (\$ 9,200.00), in lawful money of the United States of America.

Combined Contracts Discount amount:

dollars (\$ _____), in lawful money of the United States of America.

We have included the required security Bid Bond as required by the Instruction to Bidders.

We acknowledge visiting the site before making an offer to the City of South Haven:

Bidder: _____

All applicable federal taxes along with permit fees are included and State of Michigan sales taxes are included in the Bid Sum.

ACCEPTANCE

This offer shall be open to acceptance and is irrevocable for 60 days from the bid closing date.

If this bid is accepted by City of South Haven within the time period stated above, we will:

Execute the Agreement within thirteen days of receipt of acceptance of this bid.

Indicate that work will commence at the appointed time.

In the event our bid is not accepted within the time stated above, the required security deposit shall be returned to the undersigned, in accordance with the provisions of the Instructions to Bidders; unless a mutually satisfactory arrangement is made for its retention and validity for an extended period of time.

CONTRACT TIME

Substantial Completion Phase #1 - March 16, 2015.

Final Completion of Phase #1 including Punch List Items - March 23, 2015
Substantial Completion Phase #2 - March 23, 2015.
Final Completion of Phase #2 including Punch List Items - March 30, 2015.

CHANGES TO THE WORK

When Architect establishes that the method of valuation for Changes in the Work will be net cost plus a percentage fee in accordance with General Conditions, our percentage fee will be:

Overhead: _____ %
Profit: _____ %
Bond: _____ %

ADDENDA

The following Addenda have been received. The modifications to the Bid Documents noted below have been considered and all costs are included in the Bid Sum.

Addendum # _____ Dated _____
Addendum # _____ Dated _____
Addendum # _____ Dated _____
Addendum # _____ Dated _____

BID FORM SUPPLEMENTS

The following information is included with Bid submission:

The following Supplements are attached to this Bid Form and are considered an integral part of this Bid Form:

- Document 00 4323 - Supplement A - Alternatives: Include the cost variations to the Bid Sum applicable to the Work as described in Section 01 2300.
- Document 00 4400 - Supplement J - Non-Collusion Affidavit
- Document 00 4410 - Supplement K - Non-Asbestos Affidavit
- Document 00 4336 - Subcontractors: Include the names of all Subcontractors and the portions of the Work they will perform.

BID FORM SIGNATURE(S)

The Corporate Seal of
Paul Peresz Painting
(Bidder - print the full name of your firm)
was hereunto affixed in the presence of:
Paul Peresz
(Authorized signing officer, Title)
(Seal)

(Authorized signing officer, Title)

IF THE BID IS A JOINT VENTURE OR PARTNERSHIP, ADD ADDITIONAL FORMS OF EXECUTION FOR EACH MEMBER OF THE JOINT VENTURE IN THE APPROPRIATE FORM OR FORMS AS ABOVE.

END OF BID FORM

SECTION 00 4336
SUPPLEMENT A - LIST OF MAJOR SUBCONTRACTORS

PARTICULARS

✓
HEREWITH IS THE LIST OF SUBCONTRACTORS REFERENCED IN THE BID SUBMITTED BY:
(BIDDER) Paul Perez

TO (OWNER) CITY OF SOUTH HAVEN

DATED 1-13-2015 AND WHICH IS AN INTEGRAL PART OF THE BID FORM.

THE FOLLOWING WORK WILL BE PERFORMED (OR PROVIDED) BY SUBCONTRACTORS
AND COORDINATED BY US:

LIST OF SUBCONTRACTORS

WORK SUBJECT

SUBCONTRACTOR NAME (ONE NAME ONLY)

DEMOLITION

CONTRACTOR _____

FINISH CARPENTRY

CONTRACTOR _____

METAL STUDS & DRYWALL

CONTRACTOR _____

STEEL DOORS, FRAMES, DOOR HARDWARE

CONTRACTOR _____

FLOORING

CONTRACTOR _____

SUSPENDED CEILING

CONTRACTOR _____

GYPSUM BOARD FINISHING

CONTRACTOR _____

✓ PAINTING

CONTRACTOR Paul Perez Paul Perez

HVAC

CONTRACTOR _____

ELECTRICAL

CONTRACTOR _____

END OF SUPPLEMENT FORM

SECTION 00 4410

SUPPLEMENT K - NON-ASBESTOS AFFIDAVIT

STATE OF Michigan

COUNTY OF Van Buren

THE UNDERSIGNED BIDDER OR AGENT, BEING DULY SWORN, ON OATH SAYS THAT HE WILL NOT, NOR WILL ANY OTHER SUBCONTRACTOR, REPRESENTATIVE, OR AGENT OF THE FIRM, COMPANY, CORPORATION OR PARTNERSHIP REPRESENTED BY HIM, PURCHASE EQUIPMENT CONTAINING ASBESTOS, OR INSTALL ASBESTOS CONTAINING MATERIAL FOR THIS FACILITY.

Paul Perez Painting

Paul Perez

TYPED NAME

Owner

TYPED TITLE

Paul Perez Painting

BIDDER OR AGENT

Paul Perez *Paul Perez*

FOR: Paul Perez Painting

FIRM OR CORPORATION

City of South Haven - City Hall

SUBSCRIBED AND SWORN TO BEFORE ME THIS

13th DAY OF January, 2015.

Susan L Layer

NOTARY PUBLIC

<p>SUSAN L LAYER Notary Public, State of Michigan County of Van Buren My Commission Expires Jan. 19, 2020 Acting in the County of</p>

MY COMMISSION EXPIRES: _____

END OF SUPPLEMENT K

SECTION 00 4400

SUPPLEMENT J - NON-COLLUSION AFFIDAVIT

STATE OF Michigan

COUNTY OF Van Buren

THE UNDERSIGNED BIDDER OR AGENT, BEING DUALY SWORN, ON OATH SAYS THAT HE WILL NOT, NOR WILL ANY OTHER MEMBER, REPRESENTATIVE, OR AGENT OF THE FIRM, COMPANY, CORPORATION OR PARTNERSHIP REPRESENTED BY HIM, ENTER INTO ANY COMBINATION, COLLUSION OR AGREEMENT WITH ANY PERSON RELATIVE TO THE PRICE TO BE BID BY ANYONE AT SUCH LETTING, NOR TO PREVENT ANY PERSON FROM BIDDING NOT TO INDUCE ANYONE TO REFRAIN FROM BIDDING, AND THAT HIS BID IS MADE WITHOUT REFERENCE TO ANY OTHER BID AND WITH OUT ANY AGREEMENT, UNDERSTANDING, OR COMBINATION WITH ANY OTHER PERSON IN REFERENCE TO SUCH BIDDING IN ANY WAY OR MANNER WHATEVER.

Paul Perez Painting

Paul Perez

Owner

BIDDER OR AGENT

Paul Perez Painting

FOR: Paul Perez Painting

FIRM OR CORPORATION

City of South Haven - City Hall

SUBSCRIBED AND SWORN TO BEFORE ME THIS

13th DAY OF January, 2015.

NOTARY PUBLIC

Susan L Layer

MY COMMISSION EXPIRES: _____

SUSAN L. LAYER
Notary Public, State of Michigan
County of Van Buren
My Commission Expires Jan. 19, 2020
Acting in the County of _____

END OF SUPPLEMENT J

Proposal

Paul Perez Painting

1-269-217-3253

PROPOSAL SUBMITTED TO: City of South Haven City Hall	JOB NAME City Hall	JOB #
ADDRESS 539 Phoenix St. South Haven, Mi. 49090	JOB LOCATION South Haven	DATE OF PLANS
PHONE #	FAX #	ARCHITECT ABONMARCHE

We hereby submit specifications and estimates for:

Job Description

- 1.) This Bid submittal is for the Basement floor located in Downtown City Hall of South Haven, Mi.
- 2.) I Paul Perez will perform what is specified in specifications for painting of floor in basement
- 3.) Materials & labor cost \$ 9,200.00

We propose hereby to furnish material and labor - complete in accordance with the above specifications for the sum of:

\$ Materials & labor \$ 9,200.00 Dollars

with payments to be made as follows: _____

Any alteration or deviation from above specifications involving extra costs will be executed only upon written order, and will become an extra charge over and above the estimate. All agreements contingent upon strikes, accidents, or delays beyond our control.

Respectfully submitted

Paul Perez

1-12-2015

Note - this proposal may be withdrawn by us if not accepted within _____ days.

Acceptance of Proposal

The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. Payments will be made as outlined above.

Signature _____

Date of Acceptance _____

Signature _____



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
10/27/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an **ADDITIONAL INSURED**, the policy(ies) must be endorsed. If **SUBROGATION IS WAIVED**, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	John DeVries Agency, Inc. 414 State Street St. Joseph MI 49085	CONTACT NAME: Libby Hein	PHONE (A/C, No, Ext): 269-983-0581 ext 106	FAX (A/C, No): 269-983-0588
		E-MAIL ADDRESS: Libby@DeVriesInsurance.com		
INSURED	PAUL PEREZ PAINTING 64584 TERRITORIAL RD HARTFORD MI 49057	INSURER(S) AFFORDING COVERAGE		NAIC #
		INSURER A:	Merchants Mutual Insurance Company	23329
		INSURER B:		
		INSURER C:		
		INSURER D:		
		INSURER E:		
		INSURER F:		

COVERAGES **CERTIFICATE NUMBER:** **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY	N	N	BOPI072901	05/21/2014	05/21/2015	EACH OCCURRENCE \$ 1,000,000
	<input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 500,000
	GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:						MED EXP (Any one person) \$ 15,000
	AUTOMOBILE LIABILITY						PERSONAL & ADV INJURY \$ 1,000,000
	<input type="checkbox"/> ANY AUTO						GENERAL AGGREGATE \$ 2,000,000
	<input type="checkbox"/> ALL OWNED AUTOS	<input type="checkbox"/> SCHEDULED AUTOS					PRODUCTS - COMP/OP AGG \$ 2,000,000
	<input type="checkbox"/> HIRED AUTOS	<input type="checkbox"/> NON-OWNED AUTOS					Fire Legal Liability \$
	<input type="checkbox"/> UMBRELLA LIAB	<input type="checkbox"/> OCCUR					COMBINED SINGLE LIMIT (Ea accident) \$
	<input type="checkbox"/> EXCESS LIAB	<input type="checkbox"/> CLAIMS-MADE					BODILY INJURY (Per person) \$
	DED <input type="checkbox"/> RETENTION \$ <input type="checkbox"/>						BODILY INJURY (Per accident) \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY						PROPERTY DAMAGE (Per accident) \$
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	<input type="checkbox"/> Y / <input checked="" type="checkbox"/> N / A					\$
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. EACH ACCIDENT \$
							E.L. DISEASE - EA EMPLOYEE \$
							E.L. DISEASE - POLICY LIMIT \$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER **CANCELLATION**

FOR INFORMATIONAL PURPOSES ONLY. IF FURTHER VERIFICATION IS NEEDED, PLEASE CONTACT ABOVE.	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE



City of South Haven

Department of Public Works

DPW Building • 1199 8th Ave. • South Haven, Michigan 49090
Telephone (269) 637-0737 • Fax (269) 637-4778

MEMORANDUM

To: Brian Dissette, City Manager

Cc: Roger Huff, PE, DPW Director

From: Larry Halberstadt, PE, City Engineer

Date: January 12, 2015

RE: Amendment of Cost-Based Formula Rate Agreement for Full Requirements Electric Service

Background Information:

The City of South Haven is currently party to a Cost-Based Formula Rate Agreement for Full Requirements Electric Service with Indiana Michigan Power Company (the Agreement). The City entered into this Agreement effective July 1, 2006.

At their March 31, 2014 regular meeting, the Board reviewed and approved a minor change to Agreement. The modification that was approved would reduce the notice period for termination of the contract from 7 years to 4 years. Council subsequently passed Resolution 2014-14 at their April 7, 2014 regular meeting, affirming the decision of the Board. Subsequent to Council action, staff obtained a signed version of FERC Rate Schedule 108 and sent this to Lisa Gast at Duncan, Weinberg, Genzer & Pembroke, PC.

The reason for the contract change is described in the attached letter from Lisa Gast. Over the past 6 months, Lisa Gast has been working with the legal staff from American Electric Power Company (the parent to Indiana Michigan Power Company) to file the new Rate Schedule with the Federal Energy Regulatory Commission (FERC). In 2010, FERC changed the requirements for amending an existing contract to require the use of the etariff system. This process is described as being arduous, with the possibility of errors occurring and the need for multiple revisions.

In an effort to avoid the etariff process, AEP is proposing to file appropriate documents with FERC to terminate the current Agreement. Immediately upon termination of the current Agreement, Indiana Michigan Power Company would begin providing service under the Amended and Restated Cost-Based Formula Rate Agreement for Full Requirements Electric Service (the Amended Agreement). The termination of the current Agreement is anticipated to occur on January 31, 2015 at 11:59:59 pm (EST), pending approval of the Board and City Council. Section 205 of the Federal Power Act permits AEP to treat the Amended Agreement as a service agreement under the Company's market-based rate tariff authority. This agreement does not need to be filed with FERC provided that the individual customer specific

Memorandum

January 12, 2015

Amendment of Cost-Based Formula Rate Agreement for Full Requirements Electric Service

Page 2 of 2

rates defined in the contract are reported in quarterly reports known as EQRs. Thus, the complex etariff process can be avoided.

It should be noted that the City of Dowagiac Full Requirements Agreement is a service agreement that was entered into under AEP's market-based rate authority and is not filed with FERC. Thus, there is precedent for this type of agreement.

The only change in the Amended Agreement is the reduction in the notice period for termination of the agreement. The cost of providing service will continue to be calculated in the same manner as it has been since 2006. In addition, billing will continue on a monthly basis. Thus, staff does not anticipate any cost impact to City of South Haven electric customers due to this modification.

On December 18, 2014, the Board of Public Utilities held a special meeting to consider the change as described above. Upon discussion and consideration of the issue, the Board passed a motion recommending that Council approve the Amended and Restated Cost-Based Formula Rate Agreement for Full Requirements Electric Service with Indiana Michigan Power Company.

Recommendation:

Council should be requested to consider Resolution 2015-04: A Resolution Amending the Cost-Based Formula Rate Agreement for Full Requirements Electric Service By and Between Indiana Michigan Power Company and the City of South Haven.

Attachments:

Cost-Based Formula Rate Agreement
Letter from Duncan, Weinberg, Genzer & Pembroke, PC
Amended and Restated Cost-Based Fomula Rate Agreement
Appendices B & C to Amended Agreement
Resolution 2015-04



Legal Department

American Electric Power
1 Riverside Plaza
Columbus, OH 43215
AEP.com

June 2, 2006

Robert G. Stickland, P.E.
Director of Public Works
City of South Haven, Michigan
539 Phoenix St.
South Haven, Michigan 49090-1499

James R. Bacha
Assistant General Counsel -
Regulatory Services
(614) 716-1615 (P)
(614) 716-2950 (F)
jrbacha@aep.com

Bob -
Dear Mr. Stickland:

Indiana Michigan Power Company looks forward to providing service to the City of South Haven pursuant to our new Cost-Based Formula Rate Agreement for Full Requirements Electric Service. An executed copy of the Agreement is attached for your records. Also enclosed is a copy of the required FERC Filing. You will be advised when the FERC accepts the Agreement for filing.

Sincerely,

A handwritten signature in black ink that reads 'J. Bacha'.

James R. Bacha

JRB:mjl

Enclosures

cc: Kent D. Curry-without enclosures
Vincent E. Findley-without enclosures

**COST-BASED FORMULA RATE
AGREEMENT FOR
FULL REQUIREMENTS ELECTRIC SERVICE**

DATED AS OF MAY 24, 2006

BY AND BETWEEN

INDIANA MICHIGAN POWER COMPANY

AND

THE CITY OF SOUTH HAVEN, MICHIGAN

**Issued by: Marsha P. Ryan-President
Indiana Michigan Power Company**

Issued on: May 26, 2006

Effective: July 1, 2006

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COST-BASED FORMULA RATE
AGREEMENT FOR FULL REQUIREMENTS ELECTRIC SERVICE

This AGREEMENT is dated as of May 24/2006 ("Effective Date") and is by and between the Indiana Michigan Power Company (hereinafter referred to as "Company"), and the City of South Haven, Michigan ("Customer") (Company and Customer each individually referred to herein as a "Party," or collectively, the "Parties").

RECITALS

WHEREAS, Company is a corporation organized and existing under the laws of the State of Indiana, with its principal place of business at One Summit Square, 110 East Wayne Street, Fort Wayne, Indiana, 46802, and owns and operates facilities for the generation, transmission and distribution of electric power and energy in the States of Indiana and Michigan; and

WHEREAS, Customer is a municipal corporation chartered and existing under and by virtue of the laws of the State of Michigan, with its principal place of business at 539 Phoenix Street, South Haven, Michigan, 49090-1499; and

WHEREAS, Company is an electric utility subsidiary of American Electric Power Company, Inc. ("AEP"), is part of the integrated AEP System, and is a signator to various agreements with one or more AEP subsidiaries; and

WHEREAS, Customer desires to purchase Full Requirements Electric Service from Company to meet Customer's Retail Load; and

WHEREAS, Company has proposed to supply Full Requirements Electric Service to Customer, subject to the terms and conditions set forth herein; and

WHEREAS, the Parties have met numerous times to develop a cost-based formula rate for Full Requirements Electric Service.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Parties hereby agree that this Agreement, together with the Appendices attached hereto and Related Documents, sets forth the terms under which Company will supply Full Requirements Electric Service to Customer, during the Delivery Period; constitutes the entire agreement between the Parties relating to Full Requirements Electric Service at cost-based rates; and supersedes any other agreements, written or oral (including without limitation any preliminary term sheet), between the Parties concerning this subject matter.

Issued by: **Marsha P. Ryan-President**
Indiana Michigan Power Company
Issued on: **May 26, 2006**

Effective: **July 1, 2006**



ARTICLE 1: DEFINITIONS

The following words and terms shall be understood to have the following meanings when used in this Agreement or in any associated documents entered into in conjunction with this Agreement, unless a different meaning is plainly required by the context. This Agreement includes certain capitalized terms that are not explicitly defined herein. Such capitalized terms shall have the meanings specified in the "Related Documents," as the same are in effect from time to time, which meanings are incorporated herein by reference and made a part hereof. In the event of any inconsistency between a definition contained herein and a definition contained in "Related Documents," the definition in this Agreement shall control for purposes of this Agreement. Certain other definitions as required appear in subsequent parts of this Agreement.

- 1.1 **AEP Interconnection Agreement** means the agreement on file at FERC, commonly referred to as the AEP Pool Agreement, that regulates the inter-company charges and credits for capacity and energy among the following AEP Operating Companies: Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company and Ohio Power Company.
- 1.2 **AEP Operating Companies** means the electric utility subsidiaries of AEP, consisting of Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, Ohio Power Company, Southwest Electric Power Company and Public Service Company of Oklahoma. "AEP Operating Companies" may include fewer than all of the listed companies, or may include the American Electric Power Service Corporation ("AEPSC"), where the context requires such interpretation.
- 1.3 **Affiliate** means, with respect to any person or corporation, any other person or corporation (other than an individual) that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such person or corporation. For this purpose, "control" means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.
- 1.4 **Agreement** means this Cost-Based Formula Rate Agreement for Full Requirements Electric Service, including the Appendices and Related Documents, as amended, modified or supplemented from time to time.
- 1.5 **Ancillary Services** means the following services related to the Full Requirements Electric Service to be supplied under the terms of this Agreement to the Delivery Points: those services set forth in the OATT schedules and any supplemental or revised tariffs or schedules adopted by the Transmission Provider, including, without limitation, Scheduling, System Control and Dispatch Service; Transmission Owners Scheduling, System Control and

Issued by: Marsha P. Ryan-President
Indiana Michigan Power Company
Issued on: May 26, 2006

Effective: July 1, 2006



Dispatch Service; Reactive Supply and Voltage Control from Generation Sources Service; Regulation and Frequency Response Service; Energy Imbalance Service; Operating Reserve-Spinning Reserve Service; Operating Reserve-Supplemental Reserve Service; and Black Start Service (as each of those services is defined in the OATT).

- 1.6 Billing Period** means the calendar month which shall be the standard period for all payments and metering measurements under this Agreement, unless otherwise specifically required by the Transmission Provider or the entity providing meter reading services.
- 1.7 Business Day** means a day ending at 5:00 p.m. Eastern Prevailing Time, other than Saturday, Sunday and any day which is a legal holiday or a day designated as a holiday by the North American Electric Reliability Council; provided, that, with respect to any payment due hereunder, or any other obligation of Company or Customer, a "Business Day" means a day ending at 5:00 p.m. Eastern Prevailing Time, other than Saturday, Sunday and any day which is a legal holiday or a day on which banking institutions in Michigan and/or Columbus, Ohio are authorized by law to close; and, provided, further, that with respect to any notices for scheduling to be delivered pursuant to any Section hereof, a "Business Day" shall be a day other than Saturday, Sunday and any day which is a legal holiday or a day designated as a holiday by the Transmission Provider.
- 1.8 Calendar Year** means a twelve-consecutive-month period commencing at the start of hour ending ("HE") 0100 on January 1 and ending at the conclusion of HE 2400 on December 31.
- 1.9 Claims** means all third party claims or actions, threatened or filed and, whether groundless, false, fraudulent or otherwise, that directly or indirectly relate to the subject matter of this Agreement, and the resulting losses, damages, expenses, reasonable attorneys' fees and court costs, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement.
- 1.10 Confidential Information** means such information as the Parties agree shall remain confidential. Notwithstanding the foregoing, the following shall not constitute Confidential Information:
- a. Information which was already in a Party's possession prior to its receipt from another Party and not subject to a requirement of confidentiality;
 - b. Information which is obtained from a third person who, insofar as is known to the Party, is not prohibited from transmitting the information to the Party by a contractual, legal or fiduciary obligation to the Party; and

Issued by: Marsha P. Ryan-President
Indiana Michigan Power Company
Issued on: May 26, 2006

Effective: July 1, 2006



- c. Information which is or becomes publicly available through no fault of the Party.
- 1.11 **Contract Year** means a twelve-consecutive-month period beginning at the start of HE 0100 on June 1 and ending at the conclusion of HE 2400 on May 31 of the subsequent Calendar Year.
- 1.12 **Credit Rating** means, with respect to any entity, the rating then assigned to such entity's unsecured, senior long-term debt obligations or its long-term revenue bonds (not supported by third party credit enhancements) or if such entity does not have a rating for its senior unsecured long-term debt or its long-term revenue bonds, then the rating, if any, then assigned to such entity as an issuer rating by S&P and/or Moody's.
- 1.13 **Defaulting Party** means the Party who has caused an Event of Default.
- 1.14 **Delivery Period** means the period defined in Section 2.2 of this Agreement.
- 1.15 **Delivery Points** mean the point or points designated on Appendix A, to which Company will deliver and at which Customer will accept Firm Energy.
- 1.16 **Early Termination Date** is the date selected by the Non-Defaulting Party to terminate this Agreement in accordance with Section 7.2 herein.
- 1.17 **Eastern Prevailing Time** means the prevailing time in Columbus, Ohio.
- 1.18 **Energy** means three-phase, 60-cycle alternating current electric energy, expressed in KWhs.
- 1.19 **Event of Default** means those events by the Defaulting Party, as set forth in Article 7 of this Agreement, which give the Non-Defaulting Party the right to terminate this Agreement or exercise other remedies available under this Agreement or at law or in equity.
- 1.20 **FERC** means the Federal Energy Regulatory Commission.
- 1.21 **Firm Energy** means Energy that Company is required by this Agreement to sell and deliver and that Customer is required by this Agreement to purchase and receive, in each case without curtailment or interruption except as provided in Sections 8.1 and 8.2 hereof, unless relieved of their respective obligations without liability by Force Majeure, but in the case of Force Majeure only to the extent that, and for the period during which, either Party's performance is prevented by Force Majeure. Firm Energy shall be provided in accordance with the Transmission Provider's FERC-approved tariffs, Market Rules and Procedures.

Issued by: **Marsha P. Ryan-President**
Indiana Michigan Power Company
Issued on: **May 26, 2006**

Effective: **July 1, 2006**



- 1.22 Force Majeure** means an event or circumstance, subject to the limitations set forth below, that prevents one Party from performing its obligations under this Agreement, which event or circumstance was not anticipated as of the Effective Date of this Agreement, which is not within the reasonable control of, or the result of the negligence of, the Claiming Party, and which, by the exercise of due diligence, the Claiming Party is unable to overcome or avoid or cause to be avoided. Force Majeure shall not be based on (i) the loss of any load by Customer; (ii) Customer's inability economically to use or resell the Full Requirements Electric Service contracted for hereunder; (iii) the loss or failure of Company's Generation Resources; or (iv) Company's ability to resell the Full Requirements Electric Service at a price greater than the pricing set forth herein.
- 1.23 Full Requirements Electric Service** means the supply of Firm Energy Company is required to supply to the Customer at the Delivery Points, as the same may fluctuate in real time to serve Customer's Retail Load, together with all associated generation-related services as more fully described in Article 3 and Appendix C of this Agreement.
- 1.24 Generation Resource** means the generation assets owned by Company, which, as of the Effective Date of this Agreement, consist of the Donald C. Cook Nuclear Plant (Units 1 and 2), the Rockport Plant (Units 1 and 2), the Tanners Creek Plant (Units 1 through 4), and various hydroelectric facilities; the Company's share of any jointly-owned units; long-term capacity purchases by the Company; and all generating plants of co-generators, qualifying facilities, and independent power producers that are not owned by the Company, but that produce electric power and sell it to the Company. The individual elements of Generation Resources are expected to change during the Term of this Agreement, but the Company shall maintain sufficient Generation Resources to meet reliably its load obligations as a public utility during the Term of this Agreement.
- 1.25 Good Utility Practice** means any of the practices, methods, techniques and standards (including the practices, methods, techniques and standards approved by a significant portion of the electric power generation industry, the Transmission Provider and/or NERC) that, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision was made and having due regard for, among other things, contractual obligations, applicable laws and equipment manufacturer's recommendations, could have been expected to accomplish the desired result in a manner consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, technique or standard to the exclusion of all others, but rather

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to be a range of possible practices, methods, techniques or standards within which I&M shall conduct its activities under this Agreement.

- 1.26 KW means kilowatt.
- 1.27 KWh means kilowatt-hour.
- 1.28 **Letter(s) of Credit** means one or more irrevocable, transferable standby letters of credit issued by a U.S. commercial bank or a foreign bank with a U.S. branch with such bank having a Credit Rating of at least A- from S&P or A3 from Moody's, in a form and from a bank acceptable to the Company. Costs of a Letter of Credit shall be borne by the applicant for such Letter of Credit.
- 1.29 **Load Serving Entity** means any entity (or the duly designated agent of such an entity), (i) serving end-users within the Transmission Provider's transmission service area, and (ii) that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electric energy to end-users located within the Transmission Provider's transmission service area.
- 1.30 **Losses** means any transmission loss, transformation loss, sub-transmission and/or distribution losses incurred in providing Full Requirements Electric Service hereunder; provided, however, that Losses shall only include losses incurred between the sources of Energy and the Delivery Points. In no case shall Losses include losses that may be incurred from the Delivery Points to the ultimate retail customers.
- 1.31 **Market Rules and Procedures** means the market rules, manuals and procedures adopted by the Transmission Provider, as may be amended from time to time, and as administered by the Transmission Provider to govern operations within the Transmission Provider's transmission service area.
- 1.32 **Monthly Charges** means the monthly charges set out in Article 4 of this Agreement.
- 1.33 **Moody's** means Moody's Investors Service, Inc. and its successors.
- 1.34 MW means Megawatt.
- 1.35 MWh means Megawatt-hour.
- 1.36 NERC means the North American Electric Reliability Council.
- 1.37 **Network Integration Transmission Service** or NITS means firm transmission service as set forth in the Transmission Provider's OATT that provides for delivery of Firm Energy to the Delivery Points.

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- 1.38 **Non-Defaulting Party** means the Party that has not caused an Event of Default.
- 1.39 **Normal Load Growth** means the future projected load growth, as measured by Customer's hourly peak demand, in the current Contract Year, predicted by the method below that yields the higher value: (a) the maximum annual peak demand over a 60 minute interval in any of the previous three (3) Contract Years times 1.04; or (b) the maximum annual peak demand over a 60 minute interval in any of the previous three (3) Contract Years plus five thousand (5,000) kilowatts. Load growth that occurs as a result of Customer annexing territory that Company serves at retail shall not be treated as load growth for purposes of this definition, but such annexed load shall be served under this Agreement.
- 1.40 **OATT** means the Transmission Provider's Open Access Transmission Tariff on file at FERC.
- 1.41 **Performance Assurance** means collateral in the form of either cash, Letter(s) of Credit, or other security acceptable to the Company.
- 1.42 **PJM** means PJM Interconnection, LLC.
- 1.43 **Related Documents** means, either collectively or individually, the Interconnection and Local Delivery Services Agreement, the PJM Open Access Transmission Tariff, the PJM Operating Agreement, the PJM Reliability Agreement, the PJM West Reliability Agreement, and any other applicable PJM Market Rules And Procedures.
- 1.44 **Retail Load** means Energy metered at the Delivery Points to meet the requirements of Customer's end use customers (including Customer's own end use for such things as street lighting and municipal buildings) located within the franchised service territory that Customer has a statutory or contractual right or obligation to serve.
- 1.45 **S&P** means Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.).
- 1.46 **Term** is defined in Section 2.1 of this Agreement.
- 1.47 **Transmission Provider** means the entity or entities transmitting or transporting the Firm Energy, and responsible for providing Ancillary Services associated with the delivery of Full Requirements Electric Service, from the Generation Resources to the Delivery Points. The Transmission Provider as of the Effective Date of this Agreement is PJM.

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ARTICLE 2: TERM, SERVICE AND DELIVERY PROVISIONS

- 2.1 **Term.** The Term of this Agreement shall begin as of the Effective Date and extend through and include the end of the Delivery Period. Whenever the Term of this Agreement ends, the applicable provisions of this Agreement shall continue in effect for one year in accordance with Article 16.11, Survival, or by their own terms, or to the extent necessary to provide for final accounting, billing (including any "true-up" billing provided for in this Agreement), billing adjustments, resolution of any billing disputes, realization of any collateral or other security, set-off, final payments, or payments pertaining to liability and indemnification obligations arising from acts or events that occurred in connection with this Agreement during the Term.
- 2.2 **Delivery Period.**
- (a) The Delivery Period shall commence on **July 1, 2006**, and extend through **May 31, 2026**, from HE 0100 through 2400 Eastern Prevailing Time, unless (i) this Agreement is canceled earlier in accordance with Sections 2.2(b) or 2.2(c) hereof, in which event the Delivery Period shall end as of 2400 Eastern Prevailing Time on the date the notice provided for in Sections 2.2(b) or 2.2(c) becomes effective; or (ii) an Early Termination Date becomes effective in accordance with the provisions of Article 7 of this Agreement, in which event the Delivery Period shall end as of 2400 Eastern Prevailing Time on the Early Termination Date.
- (b) Customer may cancel this Agreement prior to the end of the Delivery Period, effective on May 31, 2019, or on May 31 of any year thereafter through 2025, by delivering to Company not less than **seven (7) years** prior to June 1 of any of those years, written notice of Customer's intention to cancel this Agreement. For example, providing notice of cancellation before June 1, **2019** shall terminate this Agreement as of May 31, 2019.
- (c) With six (6) months advance written notice, either Party may cancel this Agreement, prior to the end of the Delivery Period, if a Material Impact occurs as a result of any of the following:
- (i) The sale, transfer or permanent shut-down of Cook Unit 1, Cook Unit 2, or the Company's net share of Rockport Unit 1 or Rockport Unit 2, determined as of the Effective Date of this Agreement;
- (ii) A merger or consolidation of the Company with another entity, the acquisition of the Company by another entity, a change of control of the Company pursuant to which an entity acquires 50% or more of the voting stock of the Company, or the acquisition of another entity by the Company; or
- (iii) A change in the AEP Interconnection Agreement.

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Material Impact means an increase of at least thirty-five percent (35%) in Company's annual costs per MWh, as determined pursuant to Appendix B, from one Calendar Year to the next Calendar Year.

- (d) Any notice given under Section 2.2(b) or 2.2(c) of this Agreement, for any reason, shall irrevocably terminate or cancel forever both this Agreement and any obligation on the Company's part to provide service to Customer under this Agreement. Customer further expressly acknowledges and agrees that the Customer waives any and all rights to raise in any forum a claim that the Company must provide service to Customer on the basis of
- (i) any terms or provisions of this Agreement, once this Agreement is terminated or cancelled;
 - (ii) any previous agreements between the Customer and the Company, including, but not limited to, any previous electric service agreements, any settlement agreements resolving FERC proceedings or any settlement agreements resolving any state or federal court suits (including the antitrust suits filed by Customer and others in the U.S. District Court for the Northern District of Indiana in Docket Nos. 74-72, 75-210, 77-210, 79-43); or
 - (iii) any FERC tariffs or court orders in existence as of the Effective Date of this Agreement.

Customer expressly acknowledges that Customer also waives any right to request vacatur of the order of dismissal or to reinstitute proceedings in the antitrust suits filed in U.S. District Court for the Northern District of Indiana.

2.3 Planning.

- (a) The Parties understand and agree that, as a result of this Agreement, the Company will plan to provide Full Requirements Electric Service to Customer during the Term of this Agreement. In recognition of this fact, the Parties have entered into this long-term Agreement. In order for the Company to continue to plan to serve the Customer beyond the end of the Delivery Period, the Parties understand and agree that, absent a written mutual agreement to the contrary, the Parties will need to negotiate and execute a new agreement for a new delivery period extending beyond the last day of the Term of this Agreement, at least eight (8) years before the end of the Delivery Period.
- (b) At the end of the Term of this Agreement, the Company's obligation to serve Customer under this Agreement shall terminate, and Customer expressly acknowledges that the Customer waives any and all rights to raise in any forum a claim that the Company must provide service to Customer on the basis of:

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- (i) any terms or provisions of this Agreement;
- (ii) any previous agreements between the Customer and the Company, including, but not limited to, any previous electric service agreements, any settlement agreements resolving FERC proceedings or any settlement agreements resolving any state or federal court suits (including the antitrust suits filed by Customer and others in the U.S. District Court for the Northern District of Indiana in Docket Nos. 74-72, 75-210, 77-210, 79-43); or
- (iii) any FERC tariffs or court orders in existence as of the Effective Date of this Agreement.

Customer expressly acknowledges that Customer also waives any right to request vacatur of the order of dismissal or to reinstitute proceedings in the antitrust suits filed in U.S. District Court for the Northern District of Indiana.

- (c) In order to allow Company to plan to meet Customer's Retail Load, Customer agrees to provide the Company, by June 1 of each Calendar Year during the Term of this Agreement, a forecast of Customer's expected Retail Load for the following eight Calendar Years.

2.4 Delivery Points. The Delivery Points for the Full Requirements Electric Service to be provided hereunder are set forth on Appendix A. In coordination with the Transmission Provider, if necessary, and subject to the execution of any necessary agreements, the Parties may mutually agree to add or delete Delivery Points and to make other changes regarding Delivery Points. Consent to changes regarding Delivery Points shall not be unreasonably withheld. Whenever there is any change in Delivery Points, Appendix A hereto automatically shall be amended to reflect such change and, when necessary, be submitted to the FERC.

ARTICLE 3: SALE AND PURCHASE

3.1 Full Requirements Service.

- (a) During the Delivery Period, Company shall sell and deliver and Customer shall receive and purchase Full Requirements Electric Service sufficient to serve Customer's Retail Load, except as otherwise provided herein. As a provider of Full Requirements Electric Service, Company is solely responsible for satisfying all requirements and paying all costs incurred or to be incurred to provide Full Requirements Service, and Customer shall pay for such Full Requirements Electric Service as provided in Article 4 of this Agreement. Full Requirements Electric Service includes all generation-related services and schedules associated with Full

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Requirements Electric Service, as more fully identified in Appendix C of this Agreement.

- (b) Appendix C, delineating the respective cost responsibilities of Company and Customer for generation-related and transmission-related services and schedules, respectively, is based upon the current PJM Operating Agreement and PJM OATT, and reflects the Company's current accounting for generation-related services and schedules, which are collected through the cost of service formulas set forth in Appendix B hereto. As either (i) schedules and services are added, deleted or changed in those agreements and tariffs of the Transmission Provider or in other documents governing the provision of and charges for services required in connection with Full Requirements Electric Service, or (ii) the accounting for such charges is changed, the Parties shall negotiate in good faith to determine, consistent with the principles underlying Appendix C, which new or changed schedules and services are predominantly generation-related and therefore shall be included in Full Requirements Electric Service and which are predominantly transmission-related and therefore shall be the responsibility of Customer. Appendices B and C shall automatically be amended, in a prompt manner, to incorporate such changes, as are mutually agreed by the Parties, and, when necessary, submitted to the FERC. The Parties shall cooperate in good faith to ensure that, irrespective of changes in the mechanisms for recovery of costs by the Transmission Provider and changes in accounting, the respective cost responsibilities of Company and Customer shall remain governed by this Agreement. In no event shall the costs of a particular service or schedule associated with Full Requirements Electric Service be recovered twice from Customer through its inclusion both in the costs used to derive the Full Requirements Electric Service unit rates pursuant to Appendix B and also in the costs in Appendix C for which Customer is responsible.
- (c) Company understands that the Customer's Retail Load may change from time to time. Except as specifically provided herein, at no time during the Delivery Period shall Customer use either (i) newly constructed or purchased generation resources, or (ii) new power purchase agreements, to reduce Customer's Retail Load. Company is responsible for Full Requirements Electric Service regardless of changes in Retail Load arising from daily fluctuations, increased or decreased usage, extreme weather and/or similar events; provided, however, that the Parties agree that this Agreement does not obligate the Company to sell to Customer, or the Customer to purchase from Company, at the rates set forth herein, Full Requirements Electric Service for any additions to Retail Load that exceed Normal Load Growth.
- (d) To the extent that Customer's Retail Load grows at a rate in excess of Normal Load Growth, Company and Customer agree to meet to discuss whether such excess Retail Load could be served under this Agreement, or whether changes could be made to this Agreement to address how Customer's Retail Load that exceeds Normal Load Growth can be met under this Agreement; provided however, neither Party shall be

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required to accept a change with which it, in its sole judgment, disagrees. If the Parties do not agree how Customer's Retail Load that exceeds Normal Load Growth can be met under this Agreement, then Customer shall have the right to find alternate supplies to serve such excess Retail Load, including the use of New Generation in accordance with this Article. With appropriate compensation, Company will cooperate with Customer with respect to the integration of such alternative supplies into the total supply of Customer.

- (e) If, during the Term of this Agreement, one or both units of Company's Cook Nuclear Plant experiences an outage that is anticipated to extend longer than three (3) months, and the Parties agree in writing that a reduction in Customer's Full Requirements Electric Service would be mutually beneficial, then Customer may reduce Customer's Full Requirements Electric Service for the duration of the outage.

3.2 Transmission Service, Ancillary Services and Local Facilities Service.

- (a) Commencing simultaneously with the Delivery Period and ending no later than the end of the Term of this Agreement, Company shall arrange for Network Integration Transmission Service ("NITS") and Ancillary Services for Customer's Retail Load and shall be responsible during the Delivery Period for the provision of all such services. Customer shall be responsible for paying all NITS and any other related Transmission Provider charges (including but not limited to, administrative fees that the Company incurs but does not record on its books in generation-related accounts) as identified on Appendix C. Beginning July 1, 2006, and throughout the Term of this Agreement, Customer agrees to reimburse the Company for all NITS and any other related Transmission Provider charges that the Company incurs on the Customer's behalf, as well as for all charges for Ancillary Services the Company incurs but does not record on its books in generation-related accounts. These charges shall be billed by Company to Customer using the same rates and billing determinants that would be used by the Transmission Provider to bill Customer if Customer were separately billed by the Transmission Provider. Company agrees not to oppose the Customer's right to initiate or participate in any FERC proceeding regarding PJM or NITS charges. In no event shall the costs of a particular service or schedule associated with Full Requirements Electric Service be recovered twice from Customer through its inclusion both in the costs used to derive the Full Requirements Electric Service unit rates pursuant to Appendix B and also in the costs in Appendix C for which Customer is responsible.
- (b) Prior to the beginning of the Delivery Period, Customer agrees to execute, and during the Term of this Agreement Customer agrees to maintain, an Interconnection and Local Delivery Service Agreement with the Company. Beginning July 1, 2006, and throughout the Term of this Agreement, Customer further agrees to pay all charges related to the Interconnection and Local Delivery Service Agreement to Company, or to the Transmission Provider acting as a billing and collections agent for the AEP

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Operating Companies, if the Customer, Company and Transmission Provider so agree. The services provided under the Interconnection and Local Delivery Service Agreement are sometimes referred to in this Agreement as "Local Facilities Service."

3.3 Existing Generation. As of the Effective Date of this Agreement, Customer has no existing generating facilities behind the meters that will measure Customer's Billing Demand and Billing Energy under this Agreement.

3.4 New Generation.

- (a) Subject to all applicable interconnection and siting requirements, and any other applicable requirements, Customer may, at any time after the Effective Date of this Agreement, construct, behind the Company's meters, new generating facilities, including but not limited to, generation facilities to provide backup, standby or emergency power ("New Generation"). The output of any New Generation shall be separately metered to allow Company to determine Customer's total Retail Load unaffected by New Generation. Unless Customer designates a New Generation facility "Load Serving Generation" pursuant to the process set forth in Section 3.4(b) of this Agreement, New Generation shall be deemed to be "Non-Load Serving Generation" and shall be subject to the provisions of Section 3.4(c) of this Agreement.
- (b) If the following conditions are met, then New Generation built by Customer after the Effective Date of this Agreement may be used to serve up to, and including, ten percent (10%) of Customer's maximum demand established since the beginning of the Delivery Period ("Load Serving Generation"):
- (i) Customer shall provide Company with no less than two (2) years' advance written notice of the in-service date of any Load Serving Generation it intends to build;
 - (ii) Any Load Serving Generation built by Customer shall be capable of producing sufficient capacity and energy to serve the amount of Retail Load, not to exceed ten percent (10%) of Customer's maximum demand established since the beginning of the Delivery Period, that Customer designates to be served by the Load Serving Generation ("Load Responsibility Percentage");
 - (iii) Customer's Load Responsibility Percentage shall be determined, to the nearest one tenth of one percent (0.1%), as of the in-service date specified by Customer in the notice provided under Section 3.4(b)(i), as the lower of (a) the amount specified by Customer (not to exceed the nameplate rating of the Load Serving Generation) as a percentage of Customer's maximum demand established since the beginning of the Delivery Period; or (b) 10%;

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- (iv) Once Customer provides Company with written notice of its intention to build Load Serving Generation, then, as of the in-service date specified in Customer's notice, Customer shall be responsible for serving the Load Responsibility Percentage determined in accordance with Section 3.4(b)(iii), but not future load growth. Consequently, Customer's Load Responsibility Percentage will be adjusted to the nearest one tenth of one percent (0.1%), on an annual basis two (2) months prior to the beginning of the next Contract Year, in accordance with the following example: Customer builds Load Serving Generation with a five (5) MW nameplate rating at a time when its maximum demand is one hundred (100) MWs. Customer's Load Responsibility Percentage is five percent (5%). Over the next year, Customer's monthly maximum peak demand grows to one hundred ten (110) MWs. The Load Responsibility Percentage shall be adjusted to four and five tenths percent (4.5%) calculated by dividing five (5) MWs by one hundred ten (110) MWs;
- (v) Beginning on the in-service date specified in Customer's notice of its intention to build Load Serving Generation, regardless of the actual in-service date of the Load Serving Generation, Customer shall be responsible for serving the Load Responsibility Percentage of its Retail Load (*i.e.* "gross" load) in each hour throughout the remaining Term of this Agreement, and Company shall no longer have any obligation to serve that Load Responsibility Percentage of Customer's Retail Load under this Agreement. If Customer is unable to supply its Load Responsibility Percentage of its Retail Load from its Load Serving Generation, Customer shall supply such load from other sources, including the market. With appropriate compensation, Company will cooperate with Customer with respect to the integration of such other sources into the total supply of Customer; and
- (vi) Beginning on the in-service date specified in Customer's notice of its intention to build Load Serving Generation, the grant of any and all rights, interests and obligations to Company to supply the Load Responsibility Percentage of Customer's Retail Load under this Agreement shall cease, and Company and Customer shall cooperate, in advance, to make all necessary filings with the Transmission Provider and to perform all other acts necessary to transfer all rights, interests and obligations associated with the Load Responsibility Percentage back to Customer.
- (c) Any New Generation built by Customer after the Effective Date of this Agreement that is not designated as Load Serving Generation under Section 3.4(b) shall be deemed to be non-load serving generation ("Non-Load Serving Generation"). So long as adequate metering is maintained on the Non-Load Serving Generation to measure hourly metered output in KWh, Customer may run its Non-Load Serving

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Generation at any time during the Delivery Period; provided, however, that Non-Load Serving Generation shall not reduce Retail Load or the amount of Full Requirements Electric Service that Customer is obligated to purchase from Company under this Agreement. The metered output of Customer's Non-Load Serving Generation shall be added to the Customer's metered load to determine Customer's Billing Demand and Billing Energy (total Retail Load). The Parties agree that the sole compensation that Customer shall receive from Company for running Non-Load Serving Generation built to provide backup, standby or emergency power shall be a credit netted against Customer's Monthly Bill calculated by taking an amount equal to (i) the metered KWh, as measured each hour by the metering on the Non-Load Serving Generation during the preceding month, adjusted for losses, times (ii) the Real-Time Locational Marginal Price ("LMP") in the AEP Load Zone ("AEP Zonal LMP") for each such hour less the PJM Balancing Operating Reserve charges for such hour. Customer may sell energy and/or capacity from other Non-Load Serving Generation (i.e. Non-Load Serving Generation that was not built to provide backup, standby and/or emergency power) into PJM, in accordance with applicable Market Rules and Procedures, or under a bilateral agreement with Company or a third party.

3.5 Qualifying Facility Purchases.

- (a) So long as Customer is receiving Full Requirements Electric Service from Company, Company shall be obligated to purchase the electrical output from any duly licensed and properly operating Qualifying Facility connected to Customer, but only so long as Company has such obligation pursuant to the Public Utility Regulatory Policies Act of 1978, as amended ("PURPA"). The definition of Qualifying Facility shall be as contained in PURPA and the FPA.
- (b) Company shall apply the monthly billing amounts set forth in Article 4 to the combined Full Requirements Electric Service supplied by Company and the amounts delivered by the Qualifying Facility to the Customer. If Customer pays the Qualifying Facility directly for such energy, Company shall provide a credit equal to Company's avoided cost rate at the rate that Company would have paid to the Qualifying Facility if Company had directly purchased the Qualifying Facility output.
- (c) Customer agrees that Customer will not, directly or indirectly, engage in any activity to encourage or promote the construction or installation of a Qualifying Facility, except as otherwise required by or necessary to comply with applicable law, and shall not itself install, purchase or operate a Qualifying Facility during the Term of this Agreement.
- (d) Customer shall notify Company of the proposed connection of any Qualifying Facility to Customer's system. Notification shall be in writing as soon as practical, but at least ninety (90) days prior to the connection of the Qualifying Facility.

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3.6 Retail Choice.

- (a) The Parties expressly recognize that retail choice may occur in Customer's service area during the Term of this Agreement. In order to enable Customer to compete to retain existing customers, in the event retail choice is mandated in Customer's service area, by state or federal statutes, regulations, or regulatory agencies, or in the event other power suppliers plan to make a direct connection to one or more retail customers of Customer, the Parties agree as follows: If retail choice is available to a customer or an aggregated group of customers or a potential customer of Customer, Customer may negotiate a price with Company for the retention of such customer or group of customers, or to obtain new customers; provided, however, that if Customer and Company are unable to agree upon a price that retains or acquires such customer(s), then Customer may seek to obtain an alternate source of power supply, including the use of New Generation, which Company shall have the right of last refusal to match within one (1) Business Day of being officially notified by Customer. Such alternate source of power can only be made available to that specific customer or aggregated groups of customers for the defined period of the contract for alternate power supply and shall not be made available to other Retail Load of Customer or to displace other purchases.
- (b) "Mandated by state or federal statutes, regulations or regulatory agencies" includes the following scenarios: (i) state or federal statutes or regulations or regulatory agencies provide for retail choice by Customer's Retail Load as part of a larger retail choice program (in either a pilot program or permanent program), or (ii) Customer is exempt from such state or federal statutes or regulations, but retail customers of Customer, by vote or other legally enforceable right, require that Customer offer them the same provisions and rights contained in a statewide retail choice program.

3.7 Renewable Portfolio Standards.

- (a) During the Term of this Agreement, if the Company is required, as a result of federal or state laws, rules or regulations, to meet the requirements of any renewable portfolio standards, the Company agrees to meet those requirements with regard to Customer's Retail Load. In no event shall the Company be obligated to meet any renewable portfolio standards imposed upon or enacted by Customer that are more stringent than those standards that the Company is required to meet.
- (b) In the event that Customer, but not Company, is required, as a result of federal or state laws, rules or regulations, to meet the requirements of any renewable portfolio standards, the Company and Customer agree to meet and discuss how such requirements are to be met.



ARTICLE 4: MONTHLY RATES AND BILLING

4.1 General Principles Regarding Monthly Charges for Full Requirements Electric Service. The Monthly Charges for Full Requirements Electric Service supplied to Customer by Company hereunder during the Delivery Period of this Agreement shall include a Generation Demand Charge, a Generation Energy Charge (collectively, the "Generation Demand and Generation Energy Charges"), and a Generation Fuel Charge, all calculated in accordance with the terms of this Article and subject to all other terms and conditions contained in this Agreement. For each Calendar Year, the Generation Demand and Generation Energy Charges for which Customer is ultimately responsible shall be determined using data from Company's FERC Form 1 for that Calendar Year and the Return on Common Equity from December of the preceding Calendar Year as specified in Section 4.6(b). Because of the time lag in availability of the FERC Form 1 data, Generation Demand and Generation Energy Charges will initially be assessed based on estimated monthly rates, and a "true-up" will subsequently be conducted for each Calendar Year, as provided in Section 4.3 hereof. The Generation Energy Charge shall exclude fuel-related costs. All fuel-related costs shall be recovered through the Generation Fuel Charge, which shall be "trued up" to more current actual fuel-related costs by means of the Fuel Adjustment Charge set forth in Section 4.5 hereof. The monthly rates used to calculate the Generation Demand Charge, Generation Energy Charge and Generation Fuel Charge for Full Requirements Electric Service shall be determined pursuant to the cost-of-service formulas set forth in Appendix B hereto. These formulas will be used for both estimated and actual ("trued-up") rates and charges.

4.2 Estimated Generation Demand, Generation Energy, and Generation Fuel Charges. Estimated monthly rates shall be developed for each Contract Year. The estimated monthly rates used to calculate the Generation Demand Charge, Generation Energy Charge and Generation Fuel Charge shall be determined annually by the Company, pursuant to Appendix B, prior to the 31st day of May; be provided to the Customer, for its review by June 1; and be made effective as of June 1 (*i.e.*, at the commencement of each Contract Year). The estimated monthly rates in effect during each Contract Year shall be based upon the cost incurred in providing Full Requirements Electric Service for the most recent Calendar Year for which FERC Form 1 data is available. Customer shall have the rights set forth in Section 4.4 of this Agreement regarding the calculation of these estimated monthly rates and the resulting estimated Monthly Charges.

For example, in Calendar Year 2007, for the first five months the estimated monthly rates used to bill Customer will be based upon Calendar Year 2005 FERC Form 1 data (and will be the same as the estimated monthly rates used in the latter portion of Calendar Year 2006); beginning on June 1, 2007, the estimated monthly rates will be based upon Calendar Year 2006 FERC Form 1 data (and will remain in effect for the remainder of the 2007-2008 Contract Year); and all charges based on these estimated rates for Calendar Year 2007 will be subject to "true-up" of the Generation Demand Rate and Generation Energy Rate in 2008, pursuant to Section 4.3.

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- 4.3 **True-Up of Generation Demand and Generation Energy Charges.** Because the Generation Demand and Generation Energy Charges initially collected during a Calendar Year will be the product of estimated rates based on data from previous Calendar Years, the Generation Demand and Generation Energy Charges shall be adjusted (or "trued-up") based upon (i) FERC Form 1 cost data from that Calendar Year and (ii) the Return on Common Equity calculated using data from December of the previous Calendar Year as specified in Section 4.6(b). The true-up for Generation Demand and Generation Energy Charges shall be conducted by Company prior to May 31st of each Calendar Year once the FERC Form 1 data for the prior Calendar Year is available, and shall be accomplished by recalculating the sums due to Company from Customer for service provided during the prior Calendar Year. The difference between the sum of the Monthly Charges originally billed to Customer for service provided during the Calendar Year, based on the estimated monthly rates, and the sum of the Monthly Charges for which Customer is ultimately responsible shall be billed to Customer or credited to Customer, as appropriate, in twelve (12) equal monthly amounts beginning with the month of June of the year immediately following the Calendar Year for which the "true-up" is calculated, unless otherwise agreed by the Parties. The amount to be billed or credited for any such over-collections or under-collections will include interest determined in accordance with Section 35.19a of FERC's regulations, charged or applied from the date of original payment to the date when the over-collections or under-collections are paid or credited, but excluding the date paid or credited. Customer may unilaterally elect to prepay any amounts owed to Company, and Company may unilaterally elect to credit, in advance, any amounts due to Customer; and any such prepayments or advance credits shall be reflected in any interest calculations hereunder. Customer shall have the rights set forth in Section 4.4 of this Agreement regarding the calculation of the "trued-up" Monthly Charges.

For example, the "true-up" of Generation Demand and Generation Energy Charges initially collected for service provided during Calendar Year 2007 shall be conducted by Company by May 31, 2008. The "trued-up" charges shall be calculated using (i) 2007 FERC Form 1 cost data and (ii) the Return on Common Equity calculated using data from December, 2006. The difference between the sum of the Monthly Charges originally billed to Customer for service provided during 2007 (based on two different sets of estimated rates for portions of two Contract Years) and the sum of the "trued-up" Monthly Charges for Calendar Year 2007 will be divided into twelve (12) equal amounts and billed to Customer or credited to Customer, as appropriate and with interest, in invoices sent to Customer from July 2008 through June 2009, covering services provided during June 2008 through May 2009, unless otherwise agreed by the Parties or unless a full prepayment is made by Customer or a full advance credit is refunded by Company.

- 4.4 **Review Process.** Each time monthly rates are determined annually by the Company, whether to use in estimated billings to Customer during the upcoming Contract Year, or to "true up" the Generation Demand and Generation Energy Charges for the preceeding Calendar Year, the following information shall be provided to Customer by Company on

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or before June 1: (i) the Company's FERC Form 1 Report; (ii) the calculation of the monthly rates; and (iii) workpapers showing the source of all data utilized in the calculation of the monthly rates and any other supporting documentation. The accuracy of the Company's calculations, as well as the data used in those calculations (including FERC Form 1 data) shall be subject to review and adjustment in accordance with the following procedure:

(a) Customer shall have until September 30 to review the information provided by the Company. During that time the Customer may ask the Company questions, but such questions shall be limited to determining if the Company properly applied the cost-of-service formulas in Appendix B; if the data used in Appendix B was proper; and if the Company's calculations were consistent with this Agreement. The Company shall respond to such questions within fifteen (15) Business Days.

(b) If the Company and Customer do not resolve any dispute as to the appropriateness of the data used by the Company or the application of the cost-of-service formulas in Appendix B by September 30, Customer may file a complaint at FERC regarding the accuracy of the Company's calculations or the data used in those calculations (including FERC Form 1 data), or both. The Parties agree that the complaint proceeding will be limited to determining if the Company properly applied the cost-of-service formulas in Appendix B; if the data used in Appendix B was proper; and if the Company's calculations were consistent with this Agreement. The Company agrees to bear the burden of proof regarding these matters in any such complaint proceeding. The refund obligation will extend for the entire Contract Year or Calendar Year that is the subject of review as a result of the complaint proceeding, with Company having no right to seek suspension of the refund effective date.

(c) The Monthly Charges being collected from Customer by Company under this Agreement shall be subject to adjustment until the latest of (i) September 30 of each year during the Term of this Agreement, if at such time, there has been no complaint filed at FERC under this Section; (ii) the final resolution of any complaint filed pursuant to this Section; or (iii) the day any required corrections have been made by the Company. The Company shall make any necessary corrections as soon as possible and shall make any adjustments to Customer's bill on the next monthly billing.

4.5 **Fuel Adjustment Charge.** Customer shall pay Company a monthly Fuel Adjustment Charge determined pursuant to the cost-of-service formulas set forth in Appendix B hereto. The base cost of fuel, expressed in dollars per KWh, to be used in the Fuel Adjustment Charge shall equal the then-applicable Generation Fuel Rate. Customer shall be billed a Fuel Adjustment Charge each month for the energy delivered in the preceding month based upon estimated fuel charges in excess of the Generation Fuel Rate or, if applicable, shall be credited for the amount by which the estimated fuel charges are lower than the Generation Fuel Rate. Any difference between the estimated fuel charges and

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the fuel charges based on actual fuel costs shall be billed or credited to Customer on the first bill rendered after such actual fuel costs have been determined. Company shall use reasonable diligence when estimating monthly fuel charges so as to avoid any significant difference between estimated and actual monthly fuel charges to Customer.

4.6 **Cost-of-Service Formulas.** The cost-of-service formulas set forth in Appendix B were designed, by mutual agreement, primarily to use the Company's FERC Form 1 costs. Certain costs that either are not reflected in the Company's FERC Form 1, or that the Parties agreed were not representative of the Company's costs, were determined by negotiation. The specific elements of the cost-of-service formulas set forth below were negotiated as an integrated and integral part of this Agreement:

- (a) For purposes of calculating the Company's rate base used in Appendix B, the Parties agree that the Company will include one hundred percent (100%) of its expenditures for Pollution Control Facilities and Fuel Conversion Facilities (as defined in Section 35.25 of the FERC's regulations) recorded on the Company's books and records as construction work in progress ("CWIP"), and fifty percent (50%) of its expenditures for all other CWIP.
- (b) The Return on Common Equity, which will be used to compute the composite cost of capital used in Appendix B, shall be determined annually by taking the average of the daily Moody's Long-Term Baa Corporate Bond Index for the month of December of the preceding year, and adding 535 basis points (5.35 percentage points). For estimated Monthly Charges, the composite cost of capital and estimated Monthly Charges shall be developed using the Appendix B formulas and data from the FERC Form 1 for the Calendar Year that ends with the same month of December as was used to determine the Return on Common Equity. (For example, by June 1, 2008, the composite cost of capital shall be determined using the Return on Common Equity from December, 2007 and other capital cost data from the FERC Form 1 for Calendar Year 2007. The resulting composite cost of capital shall be used in the Appendix B formulas together with other FERC Form 1 data for Calendar Year 2007 to determine the estimated Generation Demand and Generation Energy Charges and the Generation Fuel Rate for the Contract Year beginning June 1, 2008.) For true-ups of the Generation Demand and Generation Energy Charges, the FERC Form 1 data for the Calendar Year being trued up shall be used in conjunction with the Return on Common Equity from December of the prior Calendar Year. (For example, once 2008 FERC Form 1 data are available in 2009, such data shall be used to compute the 2008 composite cost of capital using the Return on Common Equity from December, 2007. That composite cost of capital will be used with other 2008 FERC Form 1 data to determine the trued-up Generation Demand and Generation Energy Charges for Calendar Year 2008.) So long as the Return on Common Equity computed pursuant to this Section 4.6(b) is neither lower than 9.0% nor higher than 18.0%, the Parties agree that the Return on Common Equity used to compute the composite cost of capital in Appendix B shall not be subject to change under Sections 205 or 206 of the

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Federal Power Act ("FPA"), absent the mutual written consent of the Parties. In the event that the Return on Common Equity produced as a result of the calculation provided for herein is either below 9.0% or above 18.0%, either Party may seek FERC review of the Return on Common Equity value under the "just and reasonable" standard of Sections 205 and 206 of the FPA.

- (c) The Company's Member Load Ratio share of net revenue from deliveries to non-associated companies by the AEP Operating Companies ("System Sales") shall be shared fifty percent (50%) by Customer and fifty percent (50%) by Company, with the Customer's share reducing the Company's total production cost as shown on Appendix B. For purposes of this Section 4.6(c), "net revenue" refers to the revenue in excess of the full cost of making such System Sales.
- (d) The Depreciation Expense used in Appendix B will be calculated using the depreciation rates that are approved from time to time by the Michigan Public Service Commission ("MPSC") to record depreciation in the Company's Michigan jurisdiction. These depreciation rates are subject to periodic change at such time as the Company has filed new depreciation rates with the MPSC and the MPSC allows the Company to begin recording depreciation expense based upon newly-approved depreciation rates.
- (e) The Nuclear Decommissioning expense used in Appendix B will initially be set at the total Company level of \$40 million. When the MPSC next authorizes a change in the level of Nuclear Decommissioning Expense for the Company's Michigan retail customers, the total Company level of Nuclear Decommissioning Expense used in Appendix B to calculate Customer's rates shall be reset as if the total Company level authorized by the MPSC were being collected from customers in all of the Company's regulatory jurisdictions. This provision in no way affects Customer's rights, if any, at FERC, regarding nuclear decommissioning expenses. The revenue collected from Customer, by means of the Monthly Charges in effect under this Agreement, includes a component sufficient to recover Customer's portion of Company's regulatory assets and unrecorded liabilities related to decommissioning.
- (f) The method set forth in Appendix B to allocate costs as production-related and/or transmission-related shall be used throughout the Term of this Agreement; provided, however, that, to the extent that any of the following circumstances occur during the Term of this Agreement, the Parties will meet and attempt to determine a mutually agreeable modification to Appendix B: (i) FERC determines in a rulemaking proceeding, or in a proceeding regarding the Company's costs to be included in the Transmission Provider's OATT, or it is agreed in a FERC-approved settlement of any such proceeding, that items currently included in Appendix B as production-related should be treated as transmission-related; or (ii) FERC determines in a rulemaking proceeding, or in a proceeding regarding the Company's costs to be included in the Transmission Provider's OATT, or it is agreed in a FERC-approved settlement of any

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such proceeding, that items currently excluded from Appendix B as transmission-related should be treated as production-related. If either or both of the circumstances in this Section 4.6(f) occurs and the Parties cannot agree upon a modification to Appendix B, then either Party may seek FERC review of Appendix B's treatment of the items addressed in such proceedings under the "just and reasonable" standard of Sections 205 and 206 of the FPA.

4.7 Billing Demand and Energy.

- (a) The monthly Billing Demand shall be the single highest 60-minute KW demand measured during the Billing Period, but not less than 400 KW.
- (b) The monthly Billing Energy shall be the total KWWhs of Firm Energy as measured during the Billing Period.

4.8 Determination of Monthly Bill. The Monthly Bill shall set forth charges for Full Requirements Electric Service, charges for Local Facilities Service, charges to reimburse costs incurred by Company on behalf of Customer in connection with Full Requirements Electric Service, and other charges associated with Full Requirements Electric Service. The Monthly Bill shall be the total of the following:

1. The product of the Generation Demand Rate and the Billing Demand; plus
2. The product of the Generation Energy Rate and the Billing Energy; plus
3. The product of the Generation Fuel Rate and the Billing Energy; plus
4. The product of the Fuel Adjustment Charge and the Billing Energy; plus
5. All applicable charges in accordance with the Interconnection and Local Delivery Service Agreement, to the extent not billed directly to the Customer by the Transmission Provider or otherwise; plus
6. All amounts due to Company for reimbursement of charges incurred by Company as the NITS customer for delivery of Full Requirements Electric Service in accordance with the OATT or related agreements for transmission-related schedules or services for which Customer is responsible pursuant to Section 3.2(a) and Appendix C hereto, to the extent that such charges are not included in Items 1 through 5 above; minus
7. All amounts due to Customer from Company pursuant to Sections 3.3, 3.4 and 3.5; plus

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8. Any applicable governmental taxes, fees and assessments attributable to Full Requirements Electric Service not included in any of the other elements of the Monthly Bill.
- 4.9 **Payment Date.** Customer shall pay Company any amounts due and payable hereunder on or before the later of the fifteenth (15th) day of each month, or the fifteenth (15th) day after receipt of invoice or, if such due date is not a Business Day, then on the next Business Day. All invoices shall be paid by electronic funds transfer, or by other mutually agreeable method(s), to the account designated by the Company. If all or any part of any amount due and payable pursuant to this Agreement shall remain unpaid thereafter, interest shall thereafter accrue and be payable to Company on such unpaid amount at a rate determined in accordance with Section 35.19a of FERC's regulations.
- 4.10 **Payment Netting.** Parties hereby agree that they shall discharge mutual debts and payment obligations due and owing to each other on the same date pursuant to this Agreement through netting, in which case all amounts owed by each Party to the other Party under this Agreement, interest, and payments or credits, shall be netted so that only the excess amount remaining due shall be paid by the Party who owes it. All amounts netted pursuant to Article Four shall not take into account or include any Performance Assurance or guaranty, which may be in effect to secure a Party's performance under this Agreement. If no mutual debts or payment obligations exist and only one Party owes a debt or obligation to the other during the monthly Billing Period, that Party shall pay such sum in full when due.
- 4.11 **Billing Disputes.** If a Party, in good faith, disputes an invoice, the disputing Party shall immediately notify the other Party of the basis for the dispute and pay the undisputed portion of such invoice no later than the due date; provided, however, with respect to any amounts the Company passed through from the Transmission Provider to the Customer pursuant to item 6 in Section 4.8 above, the full amount of the disputed bill shall be paid when due and any billing dispute shall be handled in accordance with the procedures set forth in the OATT. Upon resolution of the dispute, any required payment shall be made within five (5) Business Days of such resolution along with any interest accrued at the rate determined in accordance with Section 35.19a of the FERC's regulations from and including the due date to but excluding the date paid. Inadvertent overpayments shall be returned by the receiving Party or deducted at the option of the overpaying Party, in either case with interest accrued at the rate determined in accordance with Section 35.19a of the FERC's regulations until the date paid or deducted from and including the date of such overpayment to but excluding the date repaid or deducted by the Party receiving such overpayment.

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ARTICLE 5: TRANSMISSION PROVIDER IMPLEMENTATION

5.1 Implementation.

- (a) Company and Customer shall enter into, and file with the Transmission Provider and other applicable entities, all documents necessary for the Company and the Customer to fulfill their respective obligations to provide or take Full Requirements Electric Service.
- (b) The Parties recognize and agree that Company is deemed to be the Customer's Load Serving Entity for purposes of PJM and this Agreement. The Parties further recognize and agree that the Full Requirements Electric Service to be provided hereunder is a load obligation of the Company, for purposes of PJM and the AEP Interconnection Agreement, and that the Company assumes such load obligation as its own firm power commitment and shall retain all obligations and advantages accruing from meeting the load during the Term of this Agreement. At the end of this Agreement, the Customer shall become the Load Serving Entity and all obligations and advantages from being the Load Serving Entity shall revert to Customer.
- (c) Each Party shall provide the other Party access to information the other Party reasonably requests to facilitate the administration of this Agreement.

ARTICLE 6: CREDITWORTHINESS

6.1 Financial Information. If requested by a Party ("Party X"), the other Party ("Party Y") shall deliver (i) within one hundred fifty (150) days following the end of each fiscal year, a copy of the annual report containing audited consolidated financial statements for such fiscal year with respect to Party Y, and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of the quarterly report containing unaudited consolidated financial statements for such fiscal quarter with respect to Party Y, to the extent that such reports are prepared in Party Y's ordinary course of business on such schedule. In all cases the statements shall be for the most recent accounting period and shall be prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as Party Y diligently pursues the preparation, certification and delivery of the statements.

6.2 Credit Assurances.

- (a) Customer represents that Customer's Charter ("Charter") in effect as of the Effective Date of this Agreement, enables it to charge rates which, together with the other revenues, produce revenues sufficient to pay maintenance expenses, purchased power

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expenses, other operation expenses, debt service on its bonds, other indebtedness, liens and/or charges against its revenues. In connection with the foregoing representations, Company hereby acknowledges receipt of a copy of the relevant portions of Customer's Charter. Customer agrees to annually provide Company with a copy of the relevant portion of its Charter, by June 1 of each Calendar Year during the Term of this Agreement, if requested by Company. If, at any time during the Term of this Agreement there are any material changes to Customer's Charter, or the rates it charges thereunder, that cause the representations of Customer described above to cease to be substantially accurate, Customer further agrees to immediately notify Company, in writing. Regardless of whether Customer so notifies the Company, or provides a copy of the relevant portions of its Charter to Company annually, the Customer and Company agree that if there are any material changes to Customer's Charter, or the rates it charges thereunder, that cause the representations described above to cease to be substantially accurate, then, the following provisions shall immediately become operable with respect to Customer.

- (i) If at any time Company has reasonable grounds to believe that Customer's creditworthiness or performance under this Agreement has become unsatisfactory, Company may provide the Customer with written notice requesting Performance Assurance in an amount determined by Company in a commercially reasonable manner.
- (ii) Upon receipt of such notice the Customer shall have three (3) Business Days to remedy the situation by providing such Performance Assurance to the Company.
- (iii) In the event that the Customer fails to provide such Performance Assurance or other credit assurance acceptable to the Company within three (3) Business Days of receipt of notice, then an Event of Default under Article 7 shall be deemed to have occurred.

(b) Grant of Security Interest/Remedies.

- (i) To secure its obligations under this Agreement and only to the extent Customer delivers Performance Assurance hereunder, Customer (the "Pledgor") hereby grants to Company (the "Secured Party") a present and continuing security interest in, and lien on (and right of setoff against), and assignment of, all cash collateral and cash equivalent collateral and any and all proceeds resulting therefrom or the liquidation thereof, whether now or hereafter held by, on behalf of, or for the benefit of, the Secured Party, and Pledgor agrees to take such action as the Secured Party reasonably requires in order to perfect the Secured Party's first-priority security interest in, and lien on (and right of setoff against), such collateral

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and any and all proceeds resulting therefrom or from the liquidation thereof.

- (ii) Upon or any time after the occurrence or deemed occurrence and during the continuation of an Event of Default or an Early Termination Date by Customer, the Company may do any one or more of the following:
1. exercise any of the rights and remedies of Company with respect to all Performance Assurance, including any such rights and remedies under law then in effect;
 2. exercise its rights of setoff against any and all property of the Customer in the possession of the Company or its agent;
 3. draw on any outstanding Letter of Credit issued for its benefit; and
 4. liquidate all Performance Assurance then held by or for the benefit of Company free from any claim or right of any nature whatsoever of the Customer, including any equity or right of purchase or redemption by the Customer.
- (iii) The Company shall apply the proceeds of the collateral realized upon the exercise of any such rights or remedies to reduce the Customer's obligations under the Agreement (the Customer remaining liable for any amounts owing to the Company after such application), subject to the Company's obligation to return any surplus proceeds remaining after such obligations are satisfied in full.

(c) Interest Rate on Cash Amounts Held as Collateral. For Performance Assurance in the form of cash that is held by Company pursuant to this Article Six, the interest rate will be the Federal Funds Rate minus 0.25% as from time to time in effect. "Federal Funds Rate" means the rate, for the relevant determination date opposite the caption "Federal Funds (Effective)", as set forth in the weekly statistical release designated as H.15 (519), published by the Board of Governors of the Federal Reserve System. Such interest shall be calculated commencing on the date Performance Assurance in the form of cash is received by Company but excluding the earlier of: (i) the date Performance Assurance in the form of cash is returned to Customer; or (ii) the date Performance Assurance in the form of cash is applied to a Customer's obligations pursuant to Section 6.2(b).

(d) Transfer of Interest Amount. Customer shall invoice the Company monthly setting forth the calculation of the interest amount due, and the Company shall make payment thereof by the later of (i) the third Business Day of the first month after the last month to which such invoice relates; or (ii) the third Business Day after the day on which such invoice is received.

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ARTICLE 7: DEFAULT AND REMEDIES

- 7.1 **Events of Default.** Any one or more of the following shall constitute an "Event of Default" hereunder with respect to either Party (the "Defaulting Party"):
- (a) The failure to make, when due, any payment required pursuant to this Agreement (other than payments disputed under Article 4) if such failure is not remedied within five (5) Business Days after written notice;
 - (b) Any representation or warranty made by a Party herein is false or misleading in any material respect when made or when deemed made or repeated, if such failure is not remedied within thirty (30) Business Days after written notice;
 - (c) The failure by Customer to provide Performance Assurance to Company as required under Article 6;
 - (d) The failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default as specified above, and except to the extent such Party's obligations to deliver or receive Firm Energy are modified by the provisions of Article 8), if such failure is not remedied within five (5) Business Days after written notice; or
 - (e) A Party: (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it; (ii) makes an assignment or any general arrangement for the benefit of creditors; (iii) otherwise becomes bankrupt or insolvent (however evidenced); (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or (v) is generally unable to pay its debts as they fall due.
- 7.2 **Declaration of an Early Termination.** If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the other Party (the "Non-Defaulting Party") shall have the right (i) to designate a day, no earlier than the day such notice is effective and no later than 20 days after such notice is effective, as an early termination date ("Early Termination Date"); (ii) withhold any payments due to the Defaulting Party under this Agreement; and (iii) suspend performance. The declaration of an Early Termination Date shall, as of the Early Termination Date, terminate this Agreement and any obligation on the Company's part to provide service to Customer, under this Agreement or any other agreement or rate schedule, on the basis of
- (i) any terms or provisions of this Agreement;
 - (ii) any previous agreements between the Customer and the Company, including, but not limited to, any previous electric service agreements, any settlement agreements resolving

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FERC proceedings, or any settlement agreements resolving any state or federal court suits (including the antitrust suits filed in the U.S. District Court for the Northern District of Indiana in Docket Nos. 74-72, 75-210, 77-210, 79-43); or

(iii) any FERC tariffs or court orders in existence as of the Effective Date of this Agreement.

Customer expressly acknowledges that Customer also waives any right to request vacatur of the order of dismissal or to reinstitute proceedings in the antitrust suits filed in U.S. District Court for the Northern District of Indiana in Docket Nos. 74-72, 75-210, 77-210, 79-43).

7.3 Suspension of Performance. Notwithstanding any other provision of this Agreement, if an Event of Default shall have occurred and be continuing, the Non-Defaulting Party, upon written notice to the Defaulting Party, shall have the right

- (a) to suspend performance under this Agreement; provided, however, in no event shall any such suspension continue for longer than fifteen (15) Business Days unless an Early Termination Date shall have been declared and notice thereof pursuant to Article 9 been given;
- (b) to exercise any remedy available at law, subject to the limitations set forth in Section 10.1 hereof, including the right to seek to recover direct damages before a court of competent jurisdiction, and, if the Defaulting Party is the Customer, Company's right to seek to recover its stranded costs at FERC in accordance with Section 35.26 of FERC's regulations; and

(c) to exercise any remedy available in equity.

7.4 Obligations At Expiration or Termination. Upon the termination or expiration of this Agreement, in addition to such rights and obligations enumerated elsewhere in this Agreement, the grant of any and all right and interest to Company to supply Full Requirements Electric Service under this Agreement shall cease. Customer and Company shall cooperate, in advance to the extent possible, to make all necessary filings with the Transmission Provider and to perform all other acts necessary to transfer all such rights and interests back to Customer in a timely manner.

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ARTICLE 8: CURTAILMENT, TEMPORARY INTERRUPTIONS AND FORCE MAJEURE

- 8.1 **Curtailment.** If there is a shortage of Energy requiring the curtailment of the Company's Firm Energy deliveries, then upon being notified by the Transmission Provider or the Company, Customer will institute procedures which will cause a corresponding curtailment of the use of Energy by its Retail Load. It is the express intention of this provision that any curtailment of Firm Energy shall fall equitably upon all firm loads served by the Company after, to the extent within the Company's control, the curtailment of its non-firm loads. If upon notification of a requirement to curtail, Customer fails to institute such procedures, Company shall be entitled to limit deliveries of Firm Energy to Customer in order to effectuate reductions in Energy deliveries, in the smallest amount that is operationally practical, equivalent to or greater than the reduction which would have been effected had Customer fulfilled its curtailment obligation hereunder during the period any shortage exists, and, in such event, Company shall not incur any liability to Customer in connection with any such action so taken by Company.
- 8.2 **Temporary Interruptions.** Company will use reasonable diligence in furnishing Firm Energy to Customer, but Company does not guarantee that the supply of Firm Energy furnished to Customer will be uninterrupted, or that voltage and frequency will be at all times constant. The Company will not unduly discriminate against the Customer, as among its retail and wholesale customers, when handling the impact of temporary interruptions. Temporary interruption of Firm Energy deliveries hereunder shall not constitute a breach of the obligations of Company under this Agreement, and Company shall not in any such case be liable to Customer for damages resulting from any such temporary interruptions of service.
- 8.3 **Force Majeure.** To the extent either Party is prevented by Force Majeure from carrying out, in whole or part, its obligations under this Agreement and such Party (the "Claiming Party") gives notice and details of the Force Majeure to the other Party as soon as practicable, then the Claiming Party shall be excused from the performance of its obligations with respect to this Agreement (other than the obligation to make payments then due or becoming due with respect to performance prior to the Force Majeure). The Claiming Party shall remedy the Force Majeure with all reasonable dispatch. The non-Claiming Party shall not be required to perform or resume performance of its obligations to the Claiming Party corresponding to the obligations of the Claiming Party excused by Force Majeure.
- 8.4 **Transmission Curtailment.** Neither Party may raise a claim of Force Majeure based in whole or in part on curtailment by the Transmission Provider unless (i) such Party has contracted for firm transmission with the Transmission Provider for the services to be delivered to or received at the Delivery Point; and (ii) such curtailment is due to "force majeure" or "uncontrollable force" or a similar term as defined under the Transmission Provider's tariff.

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ARTICLE 9: NOTICES, REPRESENTATIVES OF THE PARTIES

9.1 **Notices.** Any notice, demand, or request required or authorized by this Agreement to be given by one Party to another Party shall be in writing. Such notice shall be sent by facsimile, courier, personally delivered or mailed, postage prepaid, to the representative of the other Party designated in this Article 9. Any such notice, demand, or request shall be deemed to be given (i) when received by facsimile; (ii) when actually received if delivered by courier, overnight mail or personal delivery; or (iii) three (3) days after deposit in the United States mail, if sent by first class mail.

(a) Notices and other communications by Company to Customer shall be addressed to:

Dorothy Appleyard, Mayor
City of South Haven, Michigan
539 Phoenix Street
South Haven, Michigan 49090-1499
Phone: (269) 637-8087
Facsimile: (269) 637-5319

With a copy to:

Amanda Sleigh, City Clerk
City of South Haven, Michigan
539 Phoenix St.
South Haven, Michigan 49090-1499
Phone: (269) 637-0750
Facsimile: (269) 637-5319

Robert G. Stickland, P.E, Director of Public Works
City of South Haven, Michigan
1199 8th Avenue
South Haven, Michigan 49090-1499
Phone: (269) 637-0719
Facsimile: (269) 637-4778

(b) Notices and other communications by Customer to Company shall be addressed to:

President
Indiana Michigan Power Company
One Summit Square
Ft. Wayne, IN 46802
Phone: (260) 425-2355
Facsimile: (260) 425-2318

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Vice President – Energy Marketing
American Electric Power Service Corporation
155 W. Nationwide Blvd., Suite 500
Columbus, OH 43215
Phone: (614) 583-6408
Facsimile: (614) 583-1626

With a copy to:

Credit Risk Management
American Electric Power Service Corporation
155 W. Nationwide Blvd., Suite 400
Columbus, OH 43215
Phone: (614) 583-6728
Facsimile: (614) 583-1626

(c) Any Party may change its representative by written notice to the other Parties.

- 9.2. **Authority of Representative.** The Parties' representatives designated in Section 9.1 shall have full authority to act for their respective principals in all technical matters relating to the performance of this Agreement. The Parties' representatives shall not, however, have the authority to amend, modify or waive any provision of this Agreement unless they are authorized officers of their respective entities and such amendment, modification or waiver is made pursuant to Section 16.6.

ARTICLE 10: LIABILITY, INDEMNIFICATION, AND RELATIONSHIP OF PARTIES

- 10.1 **Limitation on Consequential, Incidental and Indirect Damages.** TO THE FULLEST EXTENT PERMITTED BY LAW, NEITHER CUSTOMER NOR COMPANY, NOR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, MEMBERS, PARENTS, SUBSIDIARIES OR AFFILIATES, SUCCESSORS OR ASSIGNS, OR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, OR EMPLOYEES, SUCCESSORS, SUBSIDIARIES OR ASSIGNS, SHALL BE LIABLE TO THE OTHER PARTY OR THEIR RESPECTIVE MEMBERS, PARENTS, SUBSIDIARIES, AFFILIATES, OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, SUCCESSORS OR ASSIGNS, FOR CLAIMS, SUITS, ACTIONS OR CAUSES OF ACTION FOR INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE, MULTIPLE OR CONSEQUENTIAL DAMAGES CONNECTED WITH OR RESULTING FROM PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT, OR ANY ACTIONS UNDERTAKEN IN CONNECTION WITH OR RELATED TO THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, ANY SUCH DAMAGES WHICH ARE BASED UPON CAUSES OF ACTION FOR BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE AND MISREPRESENTATION), BREACH OF

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WARRANTY, STRICT LIABILITY, STATUTE, OPERATION OF LAW, UNDER ANY INDEMNITY PROVISION OR ANY OTHER THEORY OF RECOVERY. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO DIRECT DAMAGES ONLY, AND SUCH DIRECT DAMAGES SHALL BE THE SOLE AND EXCLUSIVE MEASURE OF DAMAGES AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. THE PROVISIONS OF THIS SECTION 10.1 SHALL APPLY REGARDLESS OF FAULT AND SHALL SURVIVE TERMINATION, CANCELLATION, SUSPENSION, COMPLETION OR EXPIRATION OF THIS AGREEMENT.

10.2 Indemnification.

- (a) To the extent permitted by law, each Party shall indemnify, defend and hold harmless the other Party from and against any Claims arising from or out of any event, circumstance, act or incident occurring or existing during the period when control and title to Full Requirements Electric Service is vested in such Party as provided in Section 10.3 of this Agreement.
- (b) Each Party shall indemnify, defend and hold harmless the other Party from and against any and all Claims for damages to any person or destruction of any property arising in any manner directly or indirectly by reason of the acts of such Party's authorized representatives while on the premises of the other Party under any rights of access provided herein.
- (c) Customer shall indemnify, defend and hold harmless the Company from and against any and all Claims for damages to any individual, firm or corporation constituting any part of Customer's Retail Load arising in any manner directly or indirectly by reason of a failure, interruption, curtailment, or deficiency in Company's supply of Full Requirements Electric Service.
- (d) Neither Party assumes any responsibility of any kind with respect to the construction, maintenance, or operation of the system or other property owned or used by the other Party. To the extent permitted by law, each Party agrees to indemnify, defend and hold harmless the other Party from any and all Claims for injuries to person or property by any person, firm or corporation in any way resulting from, growing out of, or arising in or in connection with the construction, maintenance or operation of the other Party's system or other property. The Customer further agrees to indemnify, defend and hold harmless the Company from any and all Claims for injuries to persons or property by any person, firm or corporation in any way resulting from, growing out of, or arising in or in connection with the use of, or contact with, Energy delivered hereunder after it is delivered to Customer and while it is flowing through the lines of Customer, or is being distributed by Customer, or is being used by Retail Load.

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- (e) If a Party intends to seek indemnification under this Section 10.2 from the other Party with respect to any Claim, the Party seeking indemnification shall give such other Party notice of such Claim within thirty (30) days of the commencement of, or actual knowledge of, such Claim, whichever is earlier. Such Party seeking indemnification shall have the right, at its sole cost and expense, to participate in the defense of any such Claim. The Party seeking indemnification shall not compromise or settle any such Claim without the prior consent of the other Party, which consent shall not be unreasonably withheld.

- 10.3 Title; Risk of Loss.** Title to and risk of loss related to the Full Requirements Electric Service provided hereunder shall transfer from Company to Customer at the Delivery Points. Company represents and warrants that it will deliver Full Requirements Electric Service to Customer free and clear of all claims or any interest therein or thereto by any person arising prior to the Delivery Points.

ARTICLE 11: REPRESENTATIONS AND WARRANTIES

- 11.1 Company and Customer Representations and Warranties.** Company and Customer Represent and Warrant to the other that:

- (a) It is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and is qualified to conduct business in either Indiana or Michigan, or both, as applicable;
- (b) It has, or upon execution of this Agreement will promptly seek, all regulatory authorizations necessary for it to legally perform its obligations under this Agreement;
- (c) The execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, including, but not limited to, any organizational documents, charters, by-laws, indentures, mortgages or any other contracts or documents to which it is a party, or any law, rule, regulation, order or the like applicable to it;
- (d) This Agreement, and each other document executed and delivered in accordance with this Agreement constitutes its legally valid and binding obligation enforceable against it in accordance with its terms, subject to any legal and equitable defenses;
- (e) It is not bankrupt and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it, which would result in it being or becoming bankrupt;

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- (f) There is not pending or, to its knowledge, threatened against it any legal proceedings that could materially and/or adversely affect its ability to perform its obligations under this Agreement, including but not limited to Related Documents; and
- (g) There is no Event of Default or events which, with the giving of notice or lapse of time or both, would constitute an Event of Default with respect to it, and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement.

11.2 Customer Representations and Warranties. Customer Represents and Warrants to Company that:

- (a) With respect to its contractual obligations hereunder and performance thereof, it will not claim immunity on the grounds of its status as a municipality under Federal or state law or similar grounds with respect to itself or its revenues or assets from (i) suit, (ii) jurisdiction of court (including a court located outside the jurisdiction of its organization), (iii) relief by way of injunction, order for specific performance or recovery of property, (iv) attachment of assets, or (v) execution or enforcement of any judgment; and
- (b) Customer shall provide and maintain suitable protective devices on its equipment to prevent any loss, injury or damage that might result from single phasing conditions or any other fluctuations or irregularity in the supply of Energy. Company shall not be liable for any loss, injury or damage resulting from a single phasing condition or any other fluctuation or irregularity in the supply of Energy which could have been prevented by Customer's use of such protective devices.

ARTICLE 12: ASSIGNMENT

12.1 General Prohibition Against Assignments. Except as provided in Section 12.2 below, no Party shall assign, pledge or otherwise transfer this Agreement or any right or obligation under this Agreement without first obtaining the other Party's written consent, which consent shall not be unreasonably withheld.

12.2 Exceptions to Prohibition Against Assignments. A Party may, without the other Party's prior written consent, (and without relieving itself from liability hereunder) (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements; or (ii) transfer or assign this agreement to any person or entity succeeding by merger or by acquisition to all or substantially all of the assets of the assigning Party, where such person's or entity's creditworthiness is equal to or higher than that of the assigning Party; provided, however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof.

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ARTICLE 13: CONFIDENTIALITY

13.1. Treatment of Confidential Information.

- (a) To the extent permitted by law, all Confidential Information shall be held and treated by the Parties and their agents in confidence, used solely in connection with this Agreement, and shall not, except as hereinafter provided, be disclosed without the other Party's prior written consent.
- (b) Notwithstanding the foregoing, Confidential Information may be disclosed (i) to a third party for the purpose of effectuating the supply, transmission and/or distribution of Full Requirements Electric Service to be delivered pursuant to this Agreement; (ii) to regulatory authorities of competent jurisdiction, or as otherwise required by applicable law, regulation or order, including state sunshine, open meeting, freedom of information or similar laws; (iii) as part of any required, periodic filing or disclosure with or to any regulatory authority of competent jurisdiction; and (iv) to third parties in connection with merger, acquisition/disposition and financing transactions provided that any such third party shall have signed a confidentiality agreement with the Disclosing Party containing customary terms and conditions that protect against the disclosure of the Confidential Information and that strictly limit the recipient's use of such information only for the purpose of the subject transaction and that provide for remedies for non-compliance. Disclosing Party shall make all reasonable efforts to ensure that Confidential Information remains confidential even if disclosed, including marking such information confidential and requesting confidential treatment of such information.
- (c) In the event that a Party ("Disclosing Party") is requested or required to disclose any Confidential Information pursuant to subsection (b) of this Article, the Disclosing Party shall provide the other Party with prompt written notice of any such request or requirement, so that the other Party may seek an appropriate protective order, other confidentiality arrangement or waive compliance with the provisions of this Agreement. If, failing the entry of a protective order, other confidentiality arrangement or the receipt of a waiver hereunder, the Disclosing Party, in the opinion of counsel, is compelled to disclose Confidential Information, the Disclosing Party may disclose that portion of the Confidential Information which the Disclosing Party's counsel advises that the Disclosing Party is compelled to disclose.
- (d) The Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation. In addition to the foregoing, the Disclosing Party shall indemnify, defend and hold harmless the other Party from and against any Claims, threatened or filed, and any losses, damages, expenses, attorneys' fees or court costs incurred by such Party in connection with or arising directly or indirectly from or out of the Disclosing Party's disclosure of the Confidential Information to third parties except as permitted above.

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- (e) Notwithstanding the above provisions, Company shall be permitted to communicate to the Transmission Provider any necessary information, including Confidential Information, with regard to implementation of this Agreement, and will make all reasonable efforts to ensure that Confidential Information remains confidential.

ARTICLE 14: REGULATORY AUTHORITIES

14.1 Effect of Regulation.

- (a) Each Party shall perform its obligations hereunder in accordance with applicable law, rules and regulations. Unless specifically provided otherwise in this Agreement, nothing in this Agreement affects, modifies or negates either Party's rights or obligations under the FPA and the regulations promulgated thereunder, or any other federal or state law or regulation. Nothing contained herein shall be construed to constitute consent or acquiescence by either Party to any action of the other Party which violates the laws of the United States or any applicable state laws, as those laws may be amended, supplemented or superseded, or which violates any other law or regulation, or any order, judgment or decree of any court or governmental authority of competent jurisdiction.
- (b) The Parties hereto recognize that this Agreement is subject to the jurisdiction of the FERC, and that the Company will file this Agreement with the FERC. Should the FERC not accept this Agreement for filing, without change or condition, this Agreement shall not become effective, unless the Parties agree otherwise in writing, it being the intent of the Parties that the FERC's acceptance of this Agreement, without change or condition, is a prerequisite to the validity of this Agreement. In the event that this Agreement is not accepted for filing, without change or condition, the Parties agree to negotiate in good faith to reach an agreement that provides for a similar balancing of interests as is reflected in this Agreement.
- (c) The Parties agree to use their best efforts to seek and obtain the prompt approval of this Agreement by the FERC.
- (d) Once this Agreement is accepted for filing by the FERC and Company commences delivering Full Requirements Service to Customer under this Agreement, the Parties agree: 1) that the currently-effective Electric Service Agreement between Company and Customer shall be terminated and superceded, and shall no longer have any force or effect; and 2) that if no other customers are taking service thereunder, the Company can cancel any FERC Electric Tariff or Tariffs under which Customer is currently served. The Customer agrees not to oppose such cancellation and further agrees that it will not be eligible for cost-based service under any such tariff or tariffs as long as they remain in place.

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- (e) The Parties recognize the Company's obligation, under FERC's Order 888, to unbundle the costs of providing service to Customer under this Agreement. Customer agrees that the unbundling of the costs of generation, NITS, Ancillary Services and Local Delivery Services, to be charged to Customer by Company under Article 4 of this Agreement, satisfies the FERC's requirements, even though the costs of certain Ancillary Services are included as generation-related costs under the formula rate mechanism in Appendix B. Company agrees to provide Customer with a breakdown of costs that would be charged to Customer under the OATT, assuming the Customer were paying a market-based generation price, as opposed to a cost-based formula rate, within thirty (30) days of Customer's request.

**ARTICLE 15: DISPUTE RESOLUTION AND STANDARD
OF REVIEW FOR PROPOSED CHANGES**

15.1 Resolution by Officers of the Parties. In the event of any dispute among the Parties arising out of or relating to this Agreement, the Parties shall refer the matter to their duly authorized officers for resolution. Should such officers fail to resolve the dispute within ten (10) days after such referral, the Parties agree that any such dispute may be resolved pursuant to Section 15.2.

15.2 Procedures for Resolution of Disputes.

(a) Any claim, counterclaim, demand, cause of action, dispute, or controversy arising out of or relating to this Agreement or the relationship established by this Agreement, any provision hereof, the alleged breach thereof, or in any way relating to the subject matter of this Agreement, involving the Parties and/or their respective representatives (for purposes of this Section only, collectively the "Disputes"), even though some or all of such Disputes allegedly are extra contractual in nature, whether such Claims sound in contract, tort, or otherwise, at law or in equity, under state or federal law, whether provided by statute or the common law, for damages or any other relief, may, upon mutual agreement of the parties, be resolved by binding arbitration. Such arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Upon agreement to arbitrate, any award made hereunder shall be binding upon the Parties, their successors and assigns, and any trustee or receiver of either Party. The existence of this Section 15.2(a), absent an agreement of the Parties to proceed thereunder, shall not affect, by itself, FERC's jurisdiction over this Agreement or any disputes under this Agreement, or either Party's rights to seek relief from FERC to resolve such disputes.

(b) In the event a Dispute comes before a court of competent jurisdiction, the Parties hereby knowingly, voluntarily and intentionally waive any rights they may have to a trial by jury in respect of any litigation based hereon, or arising out of, under, or in

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connection with, this Agreement and/or any course of conduct, course of dealing, statements (whether oral or written) or actions of Company and Customer related hereto.

15.3 Standard of Review.

- (a) Notwithstanding the provisions of Sections 15.1 and 15.2 hereof, and subject to the exceptions set out in Section 15.3(b), the Parties agree that the provisions of this Agreement, including without limitation the rates and charges and conditions of service contained herein, are subject to change by the FERC, and that the Company and Customer shall be entitled, at any time and from time to time, to apply for or to take other action to request such a change under Sections 205 or 206 of the FPA, respectively, and pursuant to the rules and regulations promulgated thereunder (Sections 205 or 206 
- (b) The Parties expressly agree that the following provisions of this Agreement are not subject to change under Sections 205 or 206, absent the mutual written consent of the Parties:
1. the Term and expiration date of this Agreement;
 2. the Parties' agreement that Customer is not entitled to cost-based rates, after the cancellation, termination or expiration of this Agreement, on the basis of the agreements, orders and/or tariffs set out in Sections 2.2(d), 2.3(b) and 7.2;
 3. the cessation of the Company's obligation to plan to meet Customer's Retail Load, after the end of the Term of this Agreement, absent an agreement of the Parties that extends beyond the Term of this Agreement;
 4. the continuation of a cost-based formula rate throughout the Term of this Agreement;
 5. the credit provisions in Article 6;
 6. the cost-of-service provisions contained in parts (a) through (f) of Section 4.6 of this Agreement (except as explicitly specified in Section 4.6(b) and (f)); and
 7. the standard of review provisions in this Section.

It is the intent of this Section and the Parties that, to the maximum extent permitted by law, the provisions of this Agreement that are enumerated in this Section 15.3 (b) shall not be subject to change under Sections 205 and 206, and that absent the written agreement of the Parties to change any of the above enumerated provisions, the

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standard of review for changes to any of those enumerated provisions proposed by a Party, or a non-party, or the FERC, acting *sua sponte*, shall be the public interest standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956) (the *Mobile-Sierra Doctrine*).

ARTICLE 16: GENERAL PROVISIONS

- 16.1 **Third Party Beneficiaries.** This Agreement is intended solely for the benefit of the Parties hereto, and nothing herein will be construed to create any duty to, or standard of care with reference to, or any liability to, any person not a Party hereto.
- 16.2 **No Dedication of Facilities.** Any undertakings or commitments by one Party to the other under this Agreement shall not constitute the dedication of generation facilities or the transmission system or any portion thereof of either Party to the other Party.
- 16.3 **Waivers.** The failure of a Party to insist in any instance upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights under this Agreement shall not be construed as a general waiver of any such provision or the relinquishment of any such right, except to the extent such waiver is in writing and signed by an authorized representative of such Party.
- 16.4 **Interpretation.** The interpretation and performance of this Agreement shall be in accordance with and controlled by the laws of the State of Michigan, without giving effect to its conflict of laws provisions.
- 16.5 **Severability.** If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby; and the Parties hereby agree to effect such modifications to this Agreement as shall be reasonably necessary in order to give effect to the original intention of the Parties.
- 16.6. **Modification.** No modification to this Agreement will be binding on any Party unless it is in writing and signed by the Parties.
- 16.7 **Counterparts.** This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.
- 16.8 **Headings.** Article and Section headings used throughout this Agreement are for the convenience of the Parties only and are not to be construed as part of this Agreement.
- 16.9 **Audit.** Each Party has the right, at its sole expense and during normal working hours, to examine the records of the other Party to the extent reasonably necessary to verify the

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accuracy of any invoice, charge or computation made pursuant to this Agreement. If requested, a Party shall provide to the other Party invoices evidencing the quantities of Full Requirements Electric Service. If any such examination reveals any inaccuracy in any invoice, the necessary adjustments to such invoice and the payments thereof will be made promptly and shall bear interest at a rate calculated in accordance with Section 35.19a of the FERC's Regulations from the date the overpayment or underpayment was made until paid; provided, however, that no adjustment for any statement or payment will be made unless objection to the accuracy thereof was made prior to the lapse of twelve (12) months from the rendition thereof, and thereafter any objection shall be deemed waived.

- 16.10 Records.** The Parties shall keep (or as necessary cause to be kept by their respective agents) for a period of at least five (5) years such records as may be needed to afford a clear history of the Full Requirements Service supplied pursuant to this Agreement. For any matters in dispute, the Parties shall keep the records related to such matters until the dispute is ended.
- 16.11 Survival.** The provisions of Articles 10, 13 and 15, and Sections 16.9 and 16.10 hereof, and any other Section of this Agreement that specifies by its terms that it survives termination, shall survive the cancellation, termination or expiration of this Agreement.
- 16.12 Cooperation to Effectuate Agreement.** Each Party shall cooperate to implement the provisions of and to administer this Agreement in accordance with the intent of the Parties.

ARTICLE 17: RULES OF CONSTRUCTION

- 17.1** Terms used in this Agreement but not listed in this Article, or defined herein or in Article 1, shall have meanings as commonly used in the English language and, where applicable, in Good Utility Practice.
- 17.2** Words not otherwise defined herein that have well known and generally accepted technical or trade meanings are used herein in accordance with such recognized meanings.
- 17.3** The masculine shall include the feminine and neuter.
- 17.4** The words "include", "includes" and "including" are deemed to be followed by the words "without limitation."
- 17.5** References to contracts, agreements and other documents and instruments shall be references to the same as amended, supplemented or otherwise modified from time to time.

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- 17.6 The Appendices attached hereto are incorporated in and are intended to be a part of this Agreement; provided, that in the event of a conflict between the terms of any Appendices and the terms of this Agreement, the terms of this Agreement shall take precedence.
- 17.7 References to laws and to terms defined in, and other provisions of, laws shall be references to the same (or a successor to the same) as amended, supplemented or otherwise modified from time to time.
- 17.8 References to a person, entity, or governmental authority shall include its permitted successors and assigns, and any entity succeeding to the functions and capacities of that person, entity or governmental authority.
- 17.9 References to "Articles," "Sections," or "Appendices" shall be to articles, sections, or appendices of this Agreement, or, as appropriate, to sections of the FPA or FERC's regulations.
- 17.10 Unless the context plainly indicates otherwise, words importing the singular number shall be deemed to include the plural number (and vice versa); terms such as "hereof," "herein," "hereunder" and other similar compounds of the word "here" shall mean and refer to the entire Agreement rather than any particular part of the same.
- 17.11 This Agreement was negotiated and prepared by both Parties with the advice and participation of counsel. The Parties have agreed to the wording of this Agreement and none of the provisions hereof shall be construed against one Party on the ground that such Party is the author of this Agreement or any part hereof.

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IN WITNESS WHEREOF, the Parties have caused their duly authorized
representatives to execute this Agreement on their behalf as of the date first above written.

City of South Haven, Michigan

By: *Dorothy Appleyard*

Name: Dorothy Appleyard

Title: Mayor

Indiana Michigan Power Company

By: *Michael G. Morris*

Name: Michael G. Morris

Title: Chairman of the Board and
Chief Executive Officer

Issued by: Marsha P. Ryan-President
Indiana Michigan Power Company

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APPENDIX A

LIST OF DELIVERY POINTS

CITY OF SOUTH HAVEN

DELIVERY POINTS

AS OF MAY 1, 2006

#	<u>DESCRIPTION</u>	<u>DELIVERY</u> <u>VOLTAGE</u>
1.	Phoenix	Transmission
2.	Lovejoy	Transmission

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APPENDIX B

Cost-of-Service Formulas

A-1
 DETERMINATION OF DEMAND-RELATED COSTS AND
 DEMAND CHARGE
 TWELVE MONTHS ENDED DECEMBER 31, _____

	Demand Related	Reference
1. Return on Investment	\$	P.A-5, L.18, Col (2)
2. Operation & Maintenance Expense	\$	P.A-14, L.8, Col (2)
3. Depreciation Expense	\$	P.A-15, L.14, Col (2)
4. Taxes Other Than Income Taxes	\$	P.A-16, L.7, Col (2)
5. Income Tax	\$	P.A-17, L.5, Col (2)
6. Subtotal	\$	Lines 1 through 5
7. Less: Off-System Sales for Resale Expenses	\$	P. A-4, L.3, Col (2)
8. Less: Customer Share of Off-System Sales Margin	\$	P. A-4, L.4, Col (2)
9. Adjustment of Other Income and Deductions	\$	Note A
10. Annual Production Fixed Cost	\$	L.6 - L.7 - L.8 + L.9
11. Monthly Peak Megawatts	#	FERC-1, p.401b
12. Demand Charge @ Generation	\$ /kW	L.10 / L.11 / 1,000
13. Loss Adjusted Monthly Demand at Peak	# kW	Note B
14. Annual Demand Revenue Requirement	\$	L. 12 X L. 13
15. Loss Adjusted Monthly Demand	# kW	Note B
16. Demand Charge @ Generation	\$ /kW	L. 14 / L. 15
17. Transmission Loss Factor	#	Note C
18. Transmission Voltage Demand Charge	\$ /kW	L. 16 X L. 17
19. Primary Loss Factor	#	Note C
20. Primary Voltage Demand Charge	\$ /kW	L. 16 X L. 19

Note A: To be determined by accounting department.

Note B: Total customer demands adjusted for losses to generation.

Note C: Losses pursuant to OATT and loss study.

APPENDIX B

Cost-of-Service Formulas

A-2
 DETERMINATION OF ENERGY RELATED COSTS AND
 ENERGY CHARGE
 TWELVE MONTHS ENDED DECEMBER 31, ____

	<u>Energy Related</u>	<u>Reference</u>
1. Total Fuel	\$	P.A-14, L.16, Col (4)
2. Purchased Power (555)	\$	P.A-14, L.1, Col (4)
3. Other Production Expense	\$	P.A-14, L.4, Col (3)
4. <u>Total Production Cost</u>	\$	Lines 1, 2 & 3
5. Less: Off-System Sales for Resale Expenses	\$	P. A-4, L.3, Col (3)
6. Less: Customer Share of Off-System Sales Margin	\$	P. A-4, L.4, Col (3)
7. <u>Subtotal</u>	\$	L.4 - L.5 - L.6
8. Administrative & General Expense	\$	P.A-10, L.17, Col (5)
9. Return on Investment	\$	P.A-5, L.18, Col (3)
10. Depreciation Expense	\$	P.A-15, L.14, Col (3)
11. Income Tax	\$	P.A-17, L.5, Col (3)
12. <u>Annual Production Variable Costs</u>	\$	Lines 7 thru 11
13. Production Fuel Costs	\$	P.A-14, L.20, Col (4)
14. <u>Non-Fuel Costs</u>	\$	L.12 - L.13
15. Net mWh Generated and Purchased, less mWh Sold	#	FERC-1, p.401b
16. Energy Charge	\$ /kWh	L.14 / L.15 / 1,000
17. Fuel Charge	\$ /kWh	L.13 / L.15 / 1,000
18. Transmission Loss Factor	#	P.A-1, L.17
19. Transmission Voltage Energy Charge	\$ /kWh	L. 16 X L. 18
20. Transmission Voltage Fuel Charge	\$ /kWh	L. 17 X L. 18
21. Primary Loss Factor	#	P.A-1, L.19
22. Primary Voltage Energy Charge	\$ /kWh	L. 16 X L. 21
23. Primary Voltage Fuel Charge	\$ /kWh	L. 17 X L. 21

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Cost-of-Service Formulas
A-3
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APPENDIX B

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Indiana Michigan Power Company
 FERC Rate Schedule No. 108

Original Sheet No. 51

Cost-of-Service Formulae
 A-4
 OFF-SYSTEM SALES REVENUES AND MARGIN
 TWELVE MONTHS ENDED DECEMBER 31, ____

APPENDIX B

	Reference	PRODUCTION		
		Amount (1)	Demand (2)	Energy (3)
1. Off-System Sales Revenues	Note A	\$	\$	\$
2. Less: Margins from Off-System Sales	Note B	\$	\$	\$
3. Off-System Sales Expenses	L.1 - L.2	\$	\$	\$
4. Customer Share of Margins	50% of L.2	\$	\$	\$

Note A: Revenues associated with off-system sales as reported in Account 447
 (FERC-1, Page 311, column H, excluding RQ)

Note B: From Accounting.

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Cost-of-Service Formulas
 A-5
 RETURN ON PRODUCTION-RELATED INVESTMENT
 TWELVE MONTHS ENDED DECEMBER 31, _____

	Reference	PRODUCTION		
		Amount (1)	Demand (2)	Energy (3)
1.	<u>ELECTRIC PLANT</u>			
2.	Gross Plant in Service	P.A-6, L.7, Col.(2)	\$	\$
3.	Less: Accumulated Depreciation	P.A-6, L.17, Col.(2)	\$	\$
4.	Less: Accumulated Deferred Taxes	P.A-6, L.18, Col.(2)	\$	\$
5.	Net Plant in Service	L.2 - (L.3 + L.4)	\$	\$
6.	Plant Held for Future Use	FERC-1, P.200, L.10	\$	\$
7.	Construction Work In Progress	Note A	\$	\$
8.	Subtotal - Electric Plant	L.5+L.6+L.7	\$	\$
9.	<u>WORKING CAPITAL</u>			
10.	Materials & Supplies		\$	\$
11.	Fuel	P.A-9, L.2	\$	\$
12.	Nonfuel	P.A-9, L.6	\$	\$
13.	Total M & S	L.11 + L.12	\$	\$
14.	Prepayments	Note B	\$	\$
15.	Cash Requirements	P.A-8, L.8	\$	\$
16.	Total Investment	L.8+L.13+L.14+L.15	\$	\$
17.	Composite Cost of Capital	P.A-11, L.4, Col (4)	%	%
18.	Return on Investment	L.16.x L.17	\$	\$

Note A: Production amount only. To be determined by I&M accounting department.

Note B: Classified and functionalized using Gross Plant % from P.A-6, L.8.
 Total Company Account 165 \$ FERC-1, P.110, L.46



Indiana Michigan Power Company
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APPENDIX B

Cost-of-Service Formulas

A-6
 PRODUCTION-RELATED ELECTRIC PLANT IN SERVICE
 TWELVE MONTHS ENDED DECEMBER 31, _____

	Reference	System Amount (1)	PRODUCTION		
			Amount (2)	Demand (3)	Energy (4)
1. GROSS PLANT IN SERVICE		\$	\$	\$	\$
2. Plant in Service	Note A				
3. Less: ARO-related Plant		\$	\$	\$	\$
4. Restated Plant in Service	L.2 - L.3	\$	\$	\$	\$
5. Generator Step-Ups Included in Accts. 352 & 353 above		\$	\$	\$	\$
6. General & Intangible Plant	P. A-7, L.19	\$	\$	\$	\$
7. Total	L.4 + L.5 + L.6	\$	\$	\$	\$
8. Percentage of Total		%	%	%	%
9. ACCUMULATED PROVISION FOR DEPRECIATION		\$	\$	\$	\$
10. Plant In Service	Note C				
11. Less: ARO-related Depreciation		\$	\$	\$	\$
12. Adjustment to Depreciation Rate	Note D	\$	\$	\$	\$
13. Generator Step-Ups Included in Accts. 352 & 353 above		\$	\$	\$	\$
14. Adjustment to Depreciation Rate	Note D	\$	\$	\$	\$
15. General & Intangible Plant	Note B	\$	\$	\$	\$
16. Adjustment to Depreciation Rate	Note B, D	\$	\$	\$	\$
17. Total	L.10 - L.11 + L.12 + L.13 + L.14 + L.15 + L.16	\$	\$	\$	\$
18. ACCUM DEFERRED TAXES	Note E	\$	\$	\$	\$

Note A: Gross Plant in Service is the average of beginning and ending year balances (FERC-1, P. 206 & 207;

Note B: % from P.A-7, L.17

Note C: Accumulated Depreciation is the average of beginning and ending year balances (FERC-1, P.219)

Note D: From Accounting.

Note E: FERC-1, P. 111 and 113 (Accounts 281-283 & 190)
 Excludes directly-assignable amount from accounting of: \$
 Allocated on Gross Plant % From L.8 above

APPENDIX B

Cost-of-Service Formulas

A-7

PRODUCTION-RELATED GENERAL PLANT ALLOCATION
 TWELVE MONTHS ENDED DECEMBER 31, ____

General Plant Accounts 101 and 106

	Total System (1)	Allocation Factor (2)	Related to Production (1) x (2) (3)	Demand (4)	Energy (5)
1. GENERAL PLANT					
2. 389 Land	\$				
3. 390 Structures	\$				
4. 391 Office Equipment	\$				
5. 392 Transportation Equipment	\$				
6. 393 Stores Equipment	\$				
7. 394 Tools, Shop & Garage Equipment	\$				
8. 395 Lab Equipment	\$				
9. 396 Power Operated Equipment	\$				
10. 397 Communications Equipment	\$				
11. 398 Miscellaneous Equipment	\$	Note A	\$	\$	\$
12. Subtotal	\$		\$	\$	\$
13. PERCENT of Subtotal	%		%	%	%
14. Other Tangible Property (Excluding 399.1)	\$		\$	\$	\$
15. 399.0 Other Tangible Property	\$		\$	\$	\$
16. TOTAL GENERAL PLANT (Excl. 399.1)	\$	FERC-1, P.206	\$	\$	\$
17. PERCENT of Total	%		%	%	%
18. Intangible Plant	\$	FERC-1, P.204	\$	\$	\$
19. General and Intangible Plant	\$		\$	\$	\$

Note A: Allocation factors based on wages and salaries in electric operations and maintenance expenses, excluding administrative and general expenses:

a. Total wages and salaries in electric O&M excluding A&G FERC-1, P. 354, Column (b), L.25-L.24.	\$	\$	\$
b. Production wages and salaries in electric O&M FERC-1, P.354, Col (b), L.18.	\$	\$	\$
c. Ratio (b/a)			%

Classification factors based on wages and salaries in electric operations and maintenance expenses, excluding administrative and general expenses:

a. Production wages and salaries in electric O&M	\$	\$	\$
b. Production demand-related wages and salaries			\$
c. Ratio (b/a)			%

Note B: From Accounting.

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APPENDIX B

Cost-of-Service Formulas
 A-8
 PRODUCTION-RELATED CASH REQUIREMENT
 TWELVE MONTHS ENDED DECEMBER 31, ____

	Reference	PRODUCTION		
		Amount (1)	Demand (2)	Energy (3)
1. Fuel Expense	P. A-14, L.16	\$	\$	\$
2. Fuel Cash Requirements	45/360 x L.1	\$	\$	\$
3. Purchased Power	P. A-14, L.1	\$	\$	\$
4. Purchased Power Cash Requirements	45/360 x L.3	\$	\$	\$
5. Total O&M, Excluding Fuel	P. A-14, L.8	\$	\$	\$
6. Other O&M Expense	L. 5 - L.3	\$	\$	\$
7. Other O&M Cash Requirements	45/360 x L.6	\$	\$	\$
8. Total Cash Requirements	L.2 + L.4 + L.7	\$	\$	\$

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 Issued on: May 26, 2006

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**Indiana Michigan Power Company
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Original Sheet No. 56

APPENDIX B

Cost-of-Service Formulas

A-9
PRODUCTION-RELATED MATERIALS & SUPPLIES
TWELVE MONTHS ENDED DECEMBER 31, ____

	Reference	Total System (1)	Allocation Factor (2)	Related to Production (1) x (2) (3)	Demand (4)	Energy (5)
1. Material & Supplies						
2. Fuel (Note A)	FERC-1, P.110	\$		\$	\$	\$
3. Non-Fuel						
4. Account 158 - Allowances	FERC-1, P.110	\$	%	\$	\$	\$
5. Other - Non-Fuel	Note B	\$	%	\$	\$	\$
6. Total Non-Fuel	L. 4 + L. 5	\$		\$	\$	\$
7. Total Material & Supplies	L. 2 + L. 6	\$		\$	\$	\$

Note A: Accounts 120, 151, 152

Note B: Accounts 154 through 157 and 163 (FERC Form 1, P. 110) Functionalized on Gross Plant from P. A-6, L.4

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Indiana Michigan Power Company
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APPENDIX B

Cost-of-Service Formulas

A-10

PRODUCTION-RELATED ADMINISTRATIVE & GENERAL EXPENSE ALLOCATION
TWELVE MONTHS ENDED DECEMBER 31, _____

	Account	Reference	System Amount (1)	Allocation Factor % (2)	PRODUCTION			
					Amount (3)	Demand (4)	Energy (5)	
1.	ADMINISTRATIVE & GENERAL EXPENSE							
2.	RELATED TO WAGES AND SALARIES							
3.	A&G Salaries	920	FERC-1, P.322	\$				
4.	Office Supplies	921	FERC-1, P.322	\$				
5.	Adm. Expense Transfer - Cr.	922	FERC-1, P.322	\$				
6.	Outside Services	923	FERC-1, P.323	\$				
7.	Injuries & Damages	925	FERC-1, P.323	\$				
8.	Employee Pensions & Benefits	926	FERC-1, P.323	\$				
9.	Franchise Requirements	927	FERC-1, P.323	\$				
10.	Duplicate Charges - Cr.	929	FERC-1, P.323	\$				
11.	Miscellaneous General Expenses	930	FERC-1, P.323	\$				
12.	Rents	931	FERC-1, P.323	\$				
13.	Subtotal		Ls. 3 thru 12	\$	Note A	\$	\$	\$
14.	Property Insurance	924	FERC-1, P.323	\$	Note B	\$	\$	\$
15.	Regulatory Comm. Expenses	928	FERC-1, P.351	\$	Note C	\$	\$	\$
16.	Maintenance of General Plant	935	FERC-1, P.323	\$	Note D	\$	\$	\$
17.	Total		Ls. 13 thru 16	\$		\$	\$	\$

Note A: Allocation factor based on wages and salaries in electric operations and maintenance expenses, excluding administrative and general expenses - See Page A-7.

Note B: From Accounting.

Note C: FERC-1, P.351, Excluding FERC Annual Assessment

Note D: Allocated on Gross Plant % from P.A-7, L.17

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APPENDIX B

Cost-of-Service Formulas
A-11
COMPOSITE COST OF CAPITAL
TWELVE MONTHS ENDED DECEMBER 31, ____

	Reference	Total Company Average Capitalization		Cost of Capital (3)	Composite Cost of Capital (2 x 3) (4)
		\$ (1)	% (2)		
1. Long Term Debt	Note A	\$	%	%	%
2. Preferred Stock	Note B	\$	%	%	%
3. Common Stock	Note C	\$	%	%	%
4. Total		\$	%		%

Note A: Line 1, Columns (1) and (3) from Page A-12.

Note B: Line 2, Columns (1) and (3) from Page A-13.

Note C: Line 3, Column (1) from FERC-1, P. 112, Total Proprietary Capital of:	\$
Less: Preferred Stock, P.A-13, L.1(b)	\$
Less: Premium on Preferred Stock, P.A-13, L.1(c)	\$
Common Stock	\$

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APPENDIX B

Cost-of-Service Formulas

A-12

AVERAGE LONG TERM DEBT

TWELVE MONTHS ENDED DECEMBER 31, _____

	Average Debt Balance (1)	Interest Booked (2)
1 Total (FERC-1, P. 112 & P. 117 - Account 427)	\$	\$
2 Preferred Stock With Mandatory Redemption (FERC-1, P. 257.2)	\$	\$
3 Account 224 - Pre-83 SNF Disposal Costs (FERC-1, P. 257)	\$	
4 Amortization of Debt Discount and Expense (FERC-1, P. 117, Accounts 428 - 429.1)		\$
5 Total (L.1 - L.2 - L.3 + L.4)	\$	\$
6 Embedded Costs = L.5, Col. (2)/Col. (1)		%

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Original Sheet No. 60

Cost-of-Service Formulas
A-13
AVERAGE PREFERRED STOCK
TWELVE MONTHS ENDED DECEMBER 31, ____

APPENDIX B

	Reference	Amount
1. (a) Preferred Stock Dividends	FERC-1, P.118, L.29 (Account 437) & FERC-1, P. 257.2	\$
(b) Preferred Stock Issued	FERC-1, P.112, L.3	\$
(c) Premium on Preferred Stock	FERC-1, P.112, L.6 (Account 2070003)	\$
(d) Preferred Stock with Mandatory Redemption	FERC-1, P.257.2	\$
(e) Total Preferred Stock	L.1 (b) + L.1 (c) + L.1(d)	\$
2. Average Cost Rate	L.1 (a)/L.1 (e)	%

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Indiana Michigan Power Company
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Original Sheet No. 61

APPENDIX B

Cost-of-Service Formulas
 A-14
 PRODUCTION O & M EXPENSE
 TWELVE MONTHS ENDED DECEMBER 31, ____

	Account No.	Total Company (1)	(Demand) Fixed (2)	Energy	
				Non-Fuel Variable (3)	Fuel (4)
1. Purchased Power (FERC Form-1, P.327)	555	\$	\$	\$	\$
2. System Control of Load Dispatching (FERC Form-1, P.321)	556	\$	\$	\$	\$
3. Other Production Expenses (FERC Form-1, P.321)	557	\$	\$	\$	\$
4. Other Production Expenses	Note A	\$	\$	\$	\$
5. Total Production Expense Excluding Fuel Used in Electric Generation above		\$	\$	\$	\$
6. A & G Expense P.A.-10, L.17		\$	\$	\$	\$
7. Generator Step Up related O&M	Note B	\$	\$	\$	\$
8. Total O & M Excluding Fuel		\$	\$	\$	\$
9. Fuel - Account 501 (FERC Form-1, P.320)	501	\$			\$
10. Less: Fuel Handling		\$			\$
11. Less: Sale of Fly Ash (Revenue & Expense)		\$			\$
12. Plus: Account 518	518	\$			\$
13. Plus: Account 547	547	\$			\$
14. Less: Pre 4/7/83 Spent Nuclear Fuel	Note C	\$			\$
15. Plus: Pre 4/7/83 Spent Nuclear Fuel - Study		\$	\$	\$	\$
16. Total Fuel		\$	\$	\$	\$
17. Total - Production O&M	L.5 + L.16	\$	\$	\$	\$
18. Less: Off-System Sales Revenues (P.A-4, L.1;					\$
19. Plus: Company Share of Margins (P.A-4, L.2 - L.4;					\$
20. Total Fuel Costs					\$
21. Plus: Gains/(Losses) on Disp. of Allowances	A-14(a)	\$			\$
22. Plus: Nuclear Decomm Expense - ARO	A-14(a)	\$			\$
23. Less: Nuclear Decommissioning Adjustment	A-14(a)	\$			\$
24. Less: Spent Nuclear Fuel Adjustment	L.15 - L.14	\$			\$
25. Check Total - Perbooks Production O&M	P.321	\$			\$

Note A: Classified into Fixed and Variable Components in accordance with P.A-14(a).

Note B: FERC-1, P.321, (Accounts 562, 569 & 570) allocated on Gross Plant ratio - GSU to total.

Note C: Accounts 5180004 & 5180005

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Indiana Michigan Power Company
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APPENDIX B

Cost-of-Service Formulas
 A-14(a)
 CLASSIFICATION OF FIXED AND VARIABLE PRODUCTION EXPENSES
 TWELVE MONTHS ENDED DECEMBER 31. ____

Line No.	Description	FERC Account No.	Demand Related	Energy Related
1	Operation supervision and engineering	500	\$	-
2	Fuel	501	-	xx
3	Fuel Handling	5010003	-	\$
4	Sale of Fly Ash (Revenue & Expense)	5010012	-	\$
5	Steam expenses	502	\$	-
6	Steam from other sources	503	-	\$
7	Steam transferred-Cr.	504	-	\$
8	Electric expenses	505	\$	-
9	Miscellaneous steam power expenses	506	\$	-
10	Rents	507	\$	-
11	Allowances	509	-	\$
12	Less: Gains from Disposition of Allowances	411.8	-	\$
13	Plus: Losses from Disposition of Allowances	411.9	-	\$
14	Maintenance supervision and engineering	510	\$	-
15	Maintenance of structures	511	\$	-
16	Maintenance of boiler plant	512	-	\$
17	Maintenance of electric plant	513	-	\$
18	Maintenance of miscellaneous steam plant	514	\$	\$
19	Total steam power generation expenses		\$	\$
20	Operation supervision and engineering	517	\$	-
21	Coolants and Water	519	\$	-
22	Steam expenses	520	\$	-
23	Steam from other sources	521	\$	-
24	Steam transferred-Cr.	522	\$	-
25	Electric expenses	523	\$	-
26	Miscellaneous nuclear power expenses	524	\$	-
27	Less: Nuclear Decomm Expense - ARO	524.0009	\$	-
28	Rents	525	\$	\$
29	Total nuclear power generation operation expenses		\$	\$
30	Maintenance supervision and engineering	528	-	\$
31	Maintenance of structures	529	\$	-
32	Maintenance of reactor plant equipment	530	-	\$
33	Maintenance of electric plant	531	-	\$
34	Maintenance of miscellaneous nuclear plant	532	-	\$
35	Total nuclear power generation maintenance expenses		\$	\$
36	Less: Nuclear Decommissioning	524.0008	\$	-
37	Plus: Nuclear Decommissioning - Study		\$	-
38	Operation supervision and engineering	535	\$	-
39	Water for power	536	\$	-
40	Hydraulic expenses	537	\$	-
41	Electric expenses	538	\$	-
42	Misc. hydraulic power generation expenses	539	\$	-
43	Rents	540	\$	-
44	Maintenance supervision and engineering	541	\$	-
45	Maintenance of structures	542	\$	-
46	Maintenance of reservoirs, dams and waterways	543	\$	-
47	Maintenance of electric plant	544	-	\$
48	Maintenance of miscellaneous hydraulic plant	545	\$	\$
49	Total hydraulic power generation expenses		\$	\$
50	Operation supervision and engineering	546	\$	-
51	Fuel	547	-	xx
52	Generation expenses	548	\$	-
53	Miscellaneous other power generation expenses	549	\$	-
54	Rents	550	\$	-
55	Maintenance supervision and engineering	551	\$	-
56	Maintenance of structures	552	\$	-
57	Maintenance of generation and electric plant	553	\$	-
58	Maintenance of misc. other power generation plant	554	\$	\$
59	Total other power generation expenses		\$	\$
60	Purchased power	555	xx	xx
61	System control and load dispatching	556	xx	-
62	Other expenses	557	xx	-
63	TOTAL OTHER PRODUCTION EXPENSES		\$	\$

Issued by: Marsha P. Ryan
 Indiana Michigan Power Company
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Indiana Michigan Power Company
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APPENDIX B

Cost-of-Service Formulas

A-15

PRODUCTION-RELATED DEPRECIATION EXPENSE
TWELVE MONTHS ENDED DECEMBER 31, _____

		Production Related (1)	Demand (2)	Energy (3)
1.	Steam Production Plant	Note A	\$	\$
2.	Nuclear Production Plant	Note A	\$	\$
3.	Hydro Production Plant Conventional	Note A	\$	\$
4.	Pump Storage	Note A	\$	\$
5.	Other Production	Note A	\$	\$
6.	Production Subtotal		\$	\$
7.	Less: ARO-Related Depreciation (403.1)	Note A	\$	\$
8.	Plus: Non-Nuclear Depr. & Accretion	Note B	\$	\$
9.	Adjustment to Depreciation Rate	Note B	\$	\$
10.	Production-Related Gen. & Int. Plant	Note C	\$	\$
11.	Adjustment to Depreciation Rate	Note B, C	\$	\$
12.	GSU-related Depreciation Expense	Note B	\$	\$
13.	Adjustment to Depreciation Rate	Note B	\$	\$
14.	Total Production		\$	\$

Note A: Lines 1 through 5 are Depreciation Expense reported on page 336 of the FERC Form No. 1 for Accounts 403, 404 and 405 (excluding 403.1).

Note B: From Accounting.

Note C:	General and Intangible Plant Depreciation Expense	\$	FERC-1, p. 336, Col. (f)
	Production-Related %	%	Page A-7, L. 17, Col.(3)
	Gen Plant Depr. Exp. - Prod. Related	\$	
	Adjustment to General Plant Depreciation Expense	\$	
	Production-Related %	%	Page A-7, L. 17, Col.(3)
	Gen Plant Depr. Exp. - Prod. Related	\$	

Cost-of-Service Formulae

APPENDIX B

A-15
 PRODUCTION-RELATED TAXES OTHER THAN INCOME TAXES
 TWELVE MONTHS ENDED DECEMBER 31, ____

	REFERENCE	SYSTEM AMOUNT (1)	%	PRODUCTION AMOUNT (2)
TAXES RELATED TO PRODUCTION WAGES AND SALARIES				
1.	State Unemployment	Note A		\$
2.	Federal Social Security & Unemployment	Note A		\$
3.	Total Taxes Related to Wages & Salaries		Note B	\$
4.	Real and Personal Property Tax	Note A		\$
5.	Franchise Tax	Note A		\$
6.	Total Taxes Related to Production Plant		Note C	\$
7.	Total Taxes Other Than Income Taxes	L. 3 + L. 6		\$
8.	Misc. & State Commission Assessments			\$
9.	Check Total - Taxes Other	FERC-1 P.114		\$

Note A: Taxes other than Income Taxes will be those reported in FERC-1, pages 262 & 263 as listed above.

Note B: Allocation factor based on wages and salaries in electric operations and maintenance expenses, excluding administrative and general expenses - See Page A-7. %

Note C: Allocation factor based on gross plant in service - See Page A-6. %

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Original Sheet No. 65

Cost-of-Service Formulas
A-17
PRODUCTION-RELATED INCOME TAX
TWELVE MONTHS ENDED DECEMBER 31, _____

APPENDIX B

	Reference	Amount (1)	Demand (2)	Energy (3)
1. Return on Investment	P. A-5, L.18	\$	\$	\$
2. Interest	P. A-5, L.16 x P. A-11, L.1, Col(4)	\$	\$	\$
3. Balance for Equity Earnings	L.1 - L.2	\$	\$	\$
4. Combined Income Tax Factor	P. A-18, L.17		#	#
5. Income Tax	L.4 x L.3	\$	\$	\$

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**Indiana Michigan Power Company
FERC Rate Schedule No. 108**

Original Sheet No. 66

Cost-of-Service Formulas

A-18
COMPUTATION OF EFFECTIVE INCOME TAX RATE
TWELVE MONTHS ENDED DECEMBER 31, ____

APPENDIX B

	REFERENCE	AMOUNT
1. Net Income before Extraordinary	FERC-1, P. 117, L. 67	\$
2. Less: Allowance for Funds Used During Construction (AFUDC)	FERC-1, P. 117, Acct 419.1	\$
3. Adjusted Net Income	Line 1 - Line 2	\$
Income Taxes:		
4. Federal	FERC-1.P. 114, Acct 409.1	\$
5. Other	FERC-1.P. 114, Acct 409.1	\$
6. Provision for Deferred Inc. Taxes	FERC-1.P. 114, Acct 410.1	\$
7. Provision for Def. Inc. Taxes-Cr.	FERC-1.P. 114, Acct 411.1	\$
8. Investment Tax Cr. Adjustment Net	FERC-1.P. 114, Acct 411.4	\$
Taxes Applicable to Other Income and Deductions:		
9. Income Taxes - Federal	FERC-1 P.117, Acct 409.2	\$
10. Income Taxes - Other	FERC-1 P.117, Acct 409.2	\$
11. Provision for Deferred Inc. Taxes	FERC-1 P.117, Acct 410.2	\$
12. Provision for Deferred Inc. Taxes - credit	FERC-1 P.117, Acct 411.2	\$
13. Investment Tax Credit Adj. - Net	FERC-1 P.117, Acct 411.5	\$
14. Total Income Taxes	Lines 4 thru 13	\$
15. Pretax Earnings Base	Line 3 + Line 14	\$
16. Effective Income Tax Rate	Line 14 / Line 15	%
17. Combined Tax Factor	Line 16 / (100 - Line 16)	#

Issued by: **Marsha P. Ryan**
Indiana Michigan Power Company
Issued on: **May 26, 2006**

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APPENDIX C

Assignment of PJM Charges and Credits
 for Full Requirements Electric Service

PJM Operating Agreement

Schedules	Description	Company	Customer
1-3.2.1 & 3.3.1	Spot Market Energy, including day-ahead and balancing charges, credits and reconciliations	x	
1-3.2.4, 3.4.1 & 5.2	Transmission Congestion, including day-ahead and balancing charges, credits and reconciliations	x	
1-3.2.5 & 3.4.2	Transmission Losses, including day-ahead and balancing charges, credits and reconciliations	x	
1-3.2.2, 3.2.2A, 3.3.2 & 3.3.2A	Regulation charges, credits and reconciliations	x	
1-3.2.3A & 3.3.5	Spinning Reserves charges, credits and reconciliations	x	
1-3.2.3 & 3.3.3	Operating Reserves, including day-ahead, balancing and synchronous condensing charges, credits and reconciliations	x	
	Synchronous Condensing - included under Operating Reserves, above	x	
1-3.2.3B	Reactive Services charges, credits and reconciliations	x	
11-6.7	Capacity Credit Market charges, credits and reconciliations	x	
1-7.3.8	FTR Auction charges, credits and reconciliations	x	
1-7.4	Auction Revenue Rights credits	x	
1-3.2.6, 3.3.4, 3.5.1 & 4.3	Emergency Energy charges, credits and reconciliations	x	
1-3.6	Meter Correction	x	

Indiana Michigan Power Company
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APPENDIX C

Assignment of PJM Charges and Credits
for Full Requirements Electric Service

PJM OATT

Schedules	Description	Company	Customer
1 & 9	Scheduling, System Control & Dispatch Services <i>PJM charges and reconciliation for control area administration, FTR administration, market support, regulation and frequency response administration, capacity and resource obligation administration, and FERC annual charge recovery</i>	x	
1A	Scheduling, System Control & Dispatch Services <i>Transmission Owner charges, credits and reconciliations</i>		x
2	Reactive Supply & Voltage Control from Generation Sources charges, credits and reconciliations	x	
3	Regulation and Frequency Response - billed under PJM Operating Agreement, above	x	
4	Energy Imbalance - billed under PJM Operating Agreement, above	x	
5	Operating Reserve - Spinning Reserve Service - billed under PJM Operating Agreement, above	x	
6	Operating Reserve - Supplemental Reserve Service - billed under PJM Operating Agreement, above	x	
6A	Black Start Service charges and credits	x	
7	NITS Service charges and credits, including Contract Demand Reservation Service		x
7	RTO Start-Up Costs		x
7 & 8	Firm and Non-Firm Point-to-Point Transmission Service		x
13	Expansion Cost Recovery charges and credits	x	
Attachment R	PJM/MISO and Intra-PJM SECA charges		x
Attachment X	PJM/MISO and Intra-PJM SECA credits	x	
ILDSA	Other Supporting Facilities		x
	AEP Inadvertent	x	
	Energy Imbalance	x	

Issued by: Marsha P. Ryan
Indiana Michigan Power Company
Issued on: May 26, 2006

Effective: July 1, 2006

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December 5, 2014

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**ADMITTED ONLY IN COLORADO;
SUPERVISION BY PRINCIPALS OF THE FIRM,
MEMBERS OF THE DC BAR

*OF COUNSEL

To: IMMDA Members

Fr: Lisa S. Gast

Re: Status of Amendments to Full Requirements Electric Service Agreements with I&M

How We Got Here

Each of the IMMDA members (with the exception of the City of Dowagiac) are a party to a Cost-Based Formula Rate Agreement for Full Requirements Electric Service with Indiana Michigan Power Company (I&M) (“Agreement”). Each City entered into their Agreement effective July 1, 2006. The delivery period for this Agreement runs from July 1, 2006 through May 31, 2026 unless the Agreement is terminated in accordance with Section 2.2 (b) or 2.2 (c). Section 2.2 (b) of the Agreement permits the Customer to cancel the agreement by providing notification on or prior to May 31 of any year, 7 years prior to the effective date of termination. For example, the City could provide notification of cancellation before June 1, 2014 and the agreement would terminate on May 31, 2021.

On October 31, 2012, all American Electric Power (AEP) subsidiaries, including I&M, filed documents with the Federal Energy Regulatory Commission (FERC) requesting termination of their Pool Agreement effective January 1, 2014. The Pool Agreement was replaced with a Power Coordination Agreement (PCA). The PCA requires I&M and the other AEP subsidiaries to meet their respective load and reserve obligations. I&M sells energy to other AEP subsidiaries and the revenue from these sales (off system sales) is shared with the IMMMA members. As a result, the off system sales revenue can reduce the cost that IMMMA members pay for purchased power. AEP indicated that there should be no substantial cost increases to the IMMMA members as a result of the new PCA. However, they were not able to provide accurate information regarding off system sales revenue under the new PCA. The primary issue for IMMMA members is that a reduction in off system sales revenues could result

in an increase in purchased power costs. However, if changes occur, they will probably be gradual and occur over a long period of time.

As a result of these changes, IMMUDA, acting on behalf of its members, negotiated a settlement to modify the current Agreement for each member. The contract modification changes the termination period in Section 2.2 (b) of the Agreement. The modified Agreement replaces the seven (7) year notification period with a four (4) year notification period, provided that notification may not be given prior to May 31, 2015. For example, IMMUDA could provide notice of cancellation before June 1, 2015 and the Agreement would terminate on May 31, 2019.

Each of the IMMUDA members secured authority through your City Councils/Boards and executed an Amendment to your Agreement, which executed Amendments were sent to I&M on May 14, 2014. To date, we have not received counter-signed Amendments from I&M.

Where We Are Now

To effectuate the amendment to the IMMUDA members' Agreements with I&M, I&M has to file revised Agreements with the Federal Energy Regulatory Commission (FERC). As I explained at the IMMUDA Annual Meeting, FERC changed its rules about 5 years ago, and whenever a new agreement is filed, or an amendment to an existing contract is filed, the jurisdictional filing party must file in the form of an "E-Tariff," so that all jurisdictional contracts fit FERC's new formatting. To change over existing contracts is an arduous process, as you are trying to fit round pegs in to square holes, and vice versa. Nobody ever gets it right the first time, and there's a lot of back-and-forth with FERC Staff to get existing contracts to fit the FERC's mold.

In an effort to try to avoid this process, I&M's counsel suggested, and after thorough research IMMUDA agreed, that I&M could file each of the IMMUDA member's revised Agreement as a new "market based rate tariff" under the AEP Operating Companies' market based tariff, as opposed to making an individual "E-Tariff" filing for each IMMUDA member's contract. To that end, once each of the Revised Agreements are executed, I&M will file with FERC to terminate the current Agreements as of 11:59:59 p.m. on December 31, 2014, and, commencing on December 1, 2014, I&M will provide service under versions of the Agreements that have been modified from the current Agreements only to (1) reflect the revisions to the current Agreements agreed to in the 2014 Amendments ("Revised Agreements"); (2) recognize the termination of the current Agreements; and (3) update Supreme Court precedent regarding *Mobile Sierra*.

A side agreement has been also reached between IMMUDA and I&M whereby I&M has attested that to the best of I&M's knowledge, no other changes or modifications are being made to or included in the Revised Agreements, and that to the extent an inadvertent change or modification is identified by the Parties, the Parties will promptly correct such inadvertent change or modification. This side agreement protects the IMMUDA members by

ensuring that the Revised Agreements only differ from the current Agreements to the extent the IMMUDA members agreed to such revisions.

Each of the IMMUDA members must execute their Revised Agreement before I&M can terminate the existing Agreement and file the Revised Agreement. Such execution may require City Council/Board authorization, or the execution of the Amendment to your City's Agreement with I&M may serve as such authorization to execute the Revised Agreement.

**AMENDED AND RESTATED
COST-BASED FORMULA RATE
AGREEMENT FOR
FULL REQUIREMENTS ELECTRIC SERVICE**

BY AND BETWEEN

INDIANA MICHIGAN POWER COMPANY

AND

THE CITY OF SOUTH HAVEN, MICHIGAN

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**AMENDED AND RESTATED COST-BASED FORMULA RATE
AGREEMENT FOR FULL REQUIREMENTS ELECTRIC SERVICE**

This AMENDED AND RESTATED COST-BASED FORMULA RATE AGREEMENT FOR FULL REQUIREMENTS ELECTRIC SERVICE dated February 1, 2015 amends and restates, in its entirety that AGREEMENT dated as of May 24, 2006 (“Effective Date”) and is by and between the Indiana Michigan Power Company (hereinafter referred to as “Company”), and the City of South Haven, Michigan (“Customer”) (Company and Customer each individually referred to herein as a “Party,” or collectively, the “Parties”).

RECITALS

WHEREAS, Company is a corporation organized and existing under the laws of the State of Indiana, with its principal place of business at One Summit Square, 110 East Wayne Street, Fort Wayne, Indiana, 46802, and owns and operates facilities for the generation, transmission and distribution of electric power and energy in the States of Indiana and Michigan; and

WHEREAS, Customer is a municipal corporation chartered and existing under and by virtue of the laws of the State of Michigan, with its principal place of business at 539 Phoenix Street, South Haven, Michigan, 49090-1499; and

WHEREAS, Company is an electric utility subsidiary of American Electric Power Company, Inc. (“AEP”), is part of the integrated AEP System, and is a signator to various agreements with one or more AEP subsidiaries; and

WHEREAS, Customer desires to purchase Full Requirements Electric Service from Company to meet Customer’s Retail Load; and

WHEREAS, Company has proposed to supply Full Requirements Electric Service to Customer, subject to the terms and conditions set forth herein; and

WHEREAS, the Parties have met numerous times to develop a cost-based formula rate for Full Requirements Electric Service.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Parties hereby agree that this Agreement, together with the Appendices attached hereto and Related Documents, sets forth the terms under which Company will supply Full Requirements Electric Service to Customer, during the Delivery Period; constitutes the entire agreement between the Parties relating to Full Requirements Electric Service at cost-based rates; and supersedes any other agreements, written or oral (including without limitation any preliminary term sheet), between the Parties concerning this subject matter.

ARTICLE 1: DEFINITIONS

The following words and terms shall be understood to have the following meanings when used in this Agreement or in any associated documents entered into in conjunction with this Agreement, unless a different meaning is plainly required by the context. This Agreement includes certain capitalized terms that are not explicitly defined herein. Such capitalized terms shall have the meanings specified in the “Related Documents,” as the same are in effect from time to time, which meanings are incorporated herein by reference and made a part hereof. In the event of any inconsistency between a definition contained herein and a definition contained in “Related Documents,” the definition in this Agreement shall control for purposes of this Agreement. Certain other definitions as required appear in subsequent parts of this Agreement.

- 1.1 AEP Interconnection Agreement** means the agreement on file at FERC, commonly referred to as the AEP Pool Agreement, that regulates the inter-company charges and credits for capacity and energy among the following AEP Operating Companies: Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company and Ohio Power Company.
- 1.2 AEP Operating Companies** means the electric utility subsidiaries of AEP, consisting of Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, Ohio Power Company, Southwest Electric Power Company and Public Service Company of Oklahoma. "AEP Operating Companies" may include fewer than all of the listed companies, or may include the American Electric Power Service Corporation (“AEPSC”), where the context requires such interpretation.
- 1.3 Affiliate** means, with respect to any person or corporation, any other person or corporation (other than an individual) that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such person or corporation. For this purpose, “control” means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.
- 1.4 Agreement** means this Cost-Based Formula Rate Agreement for Full Requirements Electric Service, including the Appendices and Related Documents, as amended, modified or supplemented from time to time.
- 1.5 Ancillary Services** means the following services related to the Full Requirements Electric Service to be supplied under the terms of this Agreement to the Delivery Points: those services set forth in the OATT schedules and any supplemental or revised tariffs or schedules adopted by the Transmission Provider, including, without limitation, Scheduling, System Control and Dispatch Service; Transmission Owners Scheduling, System Control and

Dispatch Service; Reactive Supply and Voltage Control from Generation Sources Service; Regulation and Frequency Response Service; Energy Imbalance Service; Operating Reserve-Spinning Reserve Service; Operating Reserve-Supplemental Reserve Service; and Black Start Service (as each of those services is defined in the OATT).

- 1.6 Billing Period** means the calendar month which shall be the standard period for all payments and metering measurements under this Agreement, unless otherwise specifically required by the Transmission Provider or the entity providing meter reading services.
- 1.7 Business Day** means a day ending at 5:00 p.m. Eastern Prevailing Time, other than Saturday, Sunday and any day which is a legal holiday or a day designated as a holiday by the North American Electric Reliability Council; provided, that, with respect to any payment due hereunder, or any other obligation of Company or Customer, a “Business Day” means a day ending at 5:00 p.m. Eastern Prevailing Time, other than Saturday, Sunday and any day which is a legal holiday or a day on which banking institutions in Michigan and/or Columbus, Ohio are authorized by law to close; and, provided, further, that with respect to any notices for scheduling to be delivered pursuant to any Section hereof, a “Business Day” shall be a day other than Saturday, Sunday and any day which is a legal holiday or a day designated as a holiday by the Transmission Provider.
- 1.8 Calendar Year** means a twelve-consecutive-month period commencing at the start of hour ending (“HE”) 0100 on January 1 and ending at the conclusion of HE 2400 on December 31.
- 1.9 Claims** means all third party claims or actions, threatened or filed and, whether groundless, false, fraudulent or otherwise, that directly or indirectly relate to the subject matter of this Agreement, and the resulting losses, damages, expenses, reasonable attorneys’ fees and court costs, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement.
- 1.10 Confidential Information** means such information as the Parties agree shall remain confidential. Notwithstanding the foregoing, the following shall not constitute Confidential Information:
- a. Information which was already in a Party’s possession prior to its receipt from another Party and not subject to a requirement of confidentiality;
 - b. Information which is obtained from a third person who, insofar as is known to the Party, is not prohibited from transmitting the information to the Party by a contractual, legal or fiduciary obligation to the Party; and

c. Information which is or becomes publicly available through no fault of the Party.

- 1.11 Contract Year** means a twelve-consecutive-month period beginning at the start of HE 0100 on June 1 and ending at the conclusion of HE 2400 on May 31 of the subsequent Calendar Year.
- 1.12 Credit Rating** means, with respect to any entity, the rating then assigned to such entity's unsecured, senior long-term debt obligations or its long-term revenue bonds (not supported by third party credit enhancements) or if such entity does not have a rating for its senior unsecured long-term debt or its long-term revenue bonds, then the rating, if any, then assigned to such entity as an issuer rating by S&P and/or Moody's.
- 1.13 Defaulting Party** means the Party who has caused an Event of Default.
- 1.14 Delivery Period** means the period defined in Section 2.2 of this Agreement.
- 1.15 Delivery Points** mean the point or points designated on Appendix A, to which Company will deliver and at which Customer will accept Firm Energy.
- 1.16 Early Termination Date** is the date selected by the Non-Defaulting Party to terminate this Agreement in accordance with Section 7.2 herein.
- 1.17 Eastern Prevailing Time** means the prevailing time in Columbus, Ohio.
- 1.18 Energy** means three-phase, 60-cycle alternating current electric energy, expressed in KWhs.
- 1.19 Event of Default** means those events by the Defaulting Party, as set forth in Article 7 of this Agreement, which give the Non-Defaulting Party the right to terminate this Agreement or exercise other remedies available under this Agreement or at law or in equity.
- 1.20 FERC** means the Federal Energy Regulatory Commission.
- 1.21 Firm Energy** means Energy that Company is required by this Agreement to sell and deliver and that Customer is required by this Agreement to purchase and receive, in each case without curtailment or interruption except as provided in Sections 8.1 and 8.2 hereof, unless relieved of their respective obligations without liability by Force Majeure, but in the case of Force Majeure only to the extent that, and for the period during which, either Party's performance is prevented by Force Majeure. Firm Energy shall be provided in accordance with the Transmission Provider's FERC-approved tariffs, Market Rules and Procedures.

- 1.22 Force Majeure** means an event or circumstance, subject to the limitations set forth below, that prevents one Party from performing its obligations under this Agreement, which event or circumstance was not anticipated as of the Effective Date of this Agreement, which is not within the reasonable control of, or the result of the negligence of, the Claiming Party, and which, by the exercise of due diligence, the Claiming Party is unable to overcome or avoid or cause to be avoided. Force Majeure shall not be based on (i) the loss of any load by Customer; (ii) Customer's inability economically to use or resell the Full Requirements Electric Service contracted for hereunder; (iii) the loss or failure of Company's Generation Resources; or (iv) Company's ability to resell the Full Requirements Electric Service at a price greater than the pricing set forth herein.
- 1.23 Full Requirements Electric Service** means the supply of Firm Energy Company is required to supply to the Customer at the Delivery Points, as the same may fluctuate in real time to serve Customer's Retail Load, together with all associated generation-related services as more fully described in Article 3 and Appendix C of this Agreement.
- 1.24 Generation Resource** means the generation assets owned by Company, which, as of the Effective Date of this Agreement, consist of the Donald C. Cook Nuclear Plant (Units 1 and 2), the Rockport Plant (Units 1 and 2), the Tanners Creek Plant (Units 1 through 4), and various hydroelectric facilities; the Company's share of any jointly-owned units; long-term capacity purchases by the Company; and all generating plants of co-generators, qualifying facilities, and independent power producers that are not owned by the Company, but that produce electric power and sell it to the Company. The individual elements of Generation Resources are expected to change during the Term of this Agreement, but the Company shall maintain sufficient Generation Resources to meet reliably its load obligations as a public utility during the Term of this Agreement.
- 1.25 Good Utility Practice** means any of the practices, methods, techniques and standards (including the practices, methods, techniques and standards approved by a significant portion of the electric power generation industry, the Transmission Provider and/or NERC) that, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision was made and having due regard for, among other things, contractual obligations, applicable laws and equipment manufacturer's recommendations, could have been expected to accomplish the desired result in a manner consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, technique or standard to the exclusion of all others, but rather to be a range of possible practices, methods, techniques or standards within which I&M shall conduct its activities under this Agreement.

- 1.26 **KW** means kilowatt.
- 1.27 **KWh** means kilowatt-hour.
- 1.28 **Letter(s) of Credit** means one or more irrevocable, transferable standby letters of credit issued by a U.S. commercial bank or a foreign bank with a U.S. branch with such bank having a Credit Rating of at least A- from S&P or A3 from Moody's, in a form and from a bank acceptable to the Company. Costs of a Letter of Credit shall be borne by the applicant for such Letter of Credit.
- 1.29 **Load Serving Entity** means any entity (or the duly designated agent of such an entity), (i) serving end-users within the Transmission Provider's transmission service area, and (ii) that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electric energy to end-users located within the Transmission Provider's transmission service area.
- 1.30 **Losses** means any transmission loss, transformation loss, sub-transmission and/or distribution losses incurred in providing Full Requirements Electric Service hereunder; provided, however, that Losses shall only include losses incurred between the sources of Energy and the Delivery Points. In no case shall Losses include losses that may be incurred from the Delivery Points to the ultimate retail customers.
- 1.31 **Market Rules and Procedures** means the market rules, manuals and procedures adopted by the Transmission Provider, as may be amended from time to time, and as administered by the Transmission Provider to govern operations within the Transmission Provider's transmission service area.
- 1.32 **Monthly Charges** means the monthly charges set out in Article 4 of this Agreement.
- 1.33 **Moody's** means Moody's Investors Service, Inc. and its successors.
- 1.34 **MW** means Megawatt.
- 1.35 **MWh** means Megawatt-hour.
- 1.36 **NERC** means the North American Electric Reliability Council.
- 1.37 **Network Integration Transmission Service** or **NITS** means firm transmission service as set forth in the Transmission Provider's OATT that provides for delivery of Firm Energy to the Delivery Points.
- 1.38 **Non-Defaulting Party** means the Party that has not caused an Event of Default.

- 1.39 Normal Load Growth** means the future projected load growth, as measured by Customer's hourly peak demand, in the current Contract Year, predicted by the method below that yields the higher value: (a) the maximum annual peak demand over a 60 minute interval in any of the previous three (3) Contract Years times 1.04; or (b) the maximum annual peak demand over a 60 minute interval in any of the previous three (3) Contract Years plus five thousand (5,000) kilowatts. Load growth that occurs as a result of Customer annexing territory that Company serves at retail shall not be treated as load growth for purposes of this definition, but such annexed load shall be served under this Agreement.
- 1.40 OATT** means the Transmission Provider's Open Access Transmission Tariff on file at FERC.
- 1.41 Performance Assurance** means collateral in the form of either cash, Letter(s) of Credit, or other security acceptable to the Company.
- 1.42 PJM** means PJM Interconnection, LLC.
- 1.43 Related Documents** means, either collectively or individually, the Interconnection and Local Delivery Services Agreement, the PJM Open Access Transmission Tariff, the PJM Operating Agreement, the PJM Reliability Agreement, the PJM West Reliability Agreement, and any other applicable PJM Market Rules And Procedures.
- 1.44 Retail Load** means Energy metered at the Delivery Points to meet the requirements of Customer's end use customers (including Customer's own end use for such things as street lighting and municipal buildings) located within the franchised service territory that Customer has a statutory or contractual right or obligation to serve.
- 1.45 S&P** means Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.).
- 1.46 Term** is defined in Section 2.1 of this Agreement.
- 1.47 Transmission Provider** means the entity or entities transmitting or transporting the Firm Energy, and responsible for providing Ancillary Services associated with the delivery of Full Requirements Electric Service, from the Generation Resources to the Delivery Points. The Transmission Provider as of the Effective Date of this Agreement is PJM.

ARTICLE 2: TERM, SERVICE AND DELIVERY PROVISIONS

- 2.1 Term.** The Term of this Agreement shall begin as of the Effective Date and extend through and include the end of the Delivery Period. Whenever the Term of this

Agreement ends, the applicable provisions of this Agreement shall continue in effect for one year in accordance with Article 16.11, Survival, or by their own terms, or to the extent necessary to provide for final accounting, billing (including any “true-up” billing provided for in this Agreement), billing adjustments, resolution of any billing disputes, realization of any collateral or other security, set-off, final payments, or payments pertaining to liability and indemnification obligations arising from acts or events that occurred in connection with this Agreement during the Term.

2.2 Delivery Period.

- (a) The Delivery Period shall commence on **July 1, 2006**, and extend through **May 31, 2026**, from HE 0100 through 2400 Eastern Prevailing Time, unless (i) this Agreement is canceled earlier in accordance with Sections 2.2(b) or 2.2(c) hereof, in which event the Delivery Period shall end as of 2400 Eastern Prevailing Time on the date the notice provided for in Sections 2.2(b) or 2.2(c) becomes effective; or (ii) an Early Termination Date becomes effective in accordance with the provisions of Article 7 of this Agreement, in which event the Delivery Period shall end as of 2400 Eastern Prevailing Time on the Early Termination Date.
- (b) Customer may cancel this Agreement prior to the end of the Delivery Period, effective on May 31, 2019, or on May 31 of any year thereafter through 2025, by delivering to Company not less than four (4) years prior to June 1 of any of those years, written notice of Customer’s intention to cancel this Agreement. For example, providing notice of cancellation before June 1, 2015, shall terminate this Agreement as of May 31, 2019.
- (c) With six (6) months advance written notice, either Party may cancel this Agreement, prior to the end of the Delivery Period, if a Material Impact occurs as a result of any of the following:
 - (i) The sale, transfer or permanent shut-down of Cook Unit 1, Cook Unit 2, or the Company’s net share of Rockport Unit 1 or Rockport Unit 2, determined as of the Effective Date of this Agreement;
 - (ii) A merger or consolidation of the Company with another entity, the acquisition of the Company by another entity, a change of control of the Company pursuant to which an entity acquires 50% or more of the voting stock of the Company, or the acquisition of another entity by the Company; or
 - (iii) A change in the AEP Interconnection Agreement.

Material Impact means an increase of at least thirty-five percent (35%) in Company’s annual costs per MWh, as determined pursuant to Appendix B, from one Calendar Year to the next Calendar Year.

- (d) Any notice given under Section 2.2(b) or 2.2(c) of this Agreement, for any reason, shall irrevocably terminate or cancel forever both this Agreement and any obligation on the Company's part to provide service to Customer under this Agreement. Customer further expressly acknowledges and agrees that the Customer waives any and all rights to raise in any forum a claim that the Company must provide service to Customer on the basis of
- (i) any terms or provisions of this Agreement, once this Agreement is terminated or cancelled;
 - (ii) any previous agreements between the Customer and the Company, including, but not limited to, any previous electric service agreements, any settlement agreements resolving FERC proceedings or any settlement agreements resolving any state or federal court suits (including the antitrust suits filed by Customer and others in the U.S. District Court for the Northern District of Indiana in Docket Nos. 74-72, 75-210, 77-210, 79-43); or
 - (iii) any FERC tariffs or court orders in existence as of the Effective Date of this Agreement.

Customer expressly acknowledges that Customer also waives any right to request vacatur of the order of dismissal or to reinstitute proceedings in the antitrust suits filed in U.S. District Court for the Northern District of Indiana.

2.3 Planning.

- (a) The Parties understand and agree that, as a result of this Agreement, the Company will plan to provide Full Requirements Electric Service to Customer during the Term of this Agreement. In recognition of this fact, the Parties have entered into this long-term Agreement. In order for the Company to continue to plan to serve the Customer beyond the end of the Delivery Period, the Parties understand and agree that, absent a written mutual agreement to the contrary, the Parties will need to negotiate and execute a new agreement for a new delivery period extending beyond the last day of the Term of this Agreement, at least eight (8) years before the end of the Delivery Period.
- (b) At the end of the Term of this Agreement, the Company's obligation to serve Customer under this Agreement shall terminate, and Customer expressly acknowledges that the Customer waives any and all rights to raise in any forum a claim that the Company must provide service to Customer on the basis of:
- (i) any terms or provisions of this Agreement;
 - (ii) any previous agreements between the Customer and the Company, including, but not limited to, any previous electric service agreements, any settlement

agreements resolving FERC proceedings or any settlement agreements resolving any state or federal court suits (including the antitrust suits filed by Customer and others in the U.S. District Court for the Northern District of Indiana in Docket Nos. 74-72, 75-210, 77-210, 79-43); or

- (iii) any FERC tariffs or court orders in existence as of the Effective Date of this Agreement.

Customer expressly acknowledges that Customer also waives any right to request vacatur of the order of dismissal or to reinstitute proceedings in the antitrust suits filed in U.S. District Court for the Northern District of Indiana.

- (c) In order to allow Company to plan to meet Customer's Retail Load, Customer agrees to provide the Company, by June 1 of each Calendar Year during the Term of this Agreement, a forecast of Customer's expected Retail Load for the following eight Calendar Years.

2.4 Delivery Points. The Delivery Points for the Full Requirements Electric Service to be provided hereunder are set forth on Appendix A. In coordination with the Transmission Provider, if necessary, and subject to the execution of any necessary agreements, the Parties may mutually agree to add or delete Delivery Points and to make other changes regarding Delivery Points. Consent to changes regarding Delivery Points shall not be unreasonably withheld. Whenever there is any change in Delivery Points, Appendix A hereto automatically shall be amended to reflect such change and, when necessary, be submitted to the FERC.

ARTICLE 3: SALE AND PURCHASE

3.1 Full Requirements Service.

- (a) During the Delivery Period, Company shall sell and deliver and Customer shall receive and purchase Full Requirements Electric Service sufficient to serve Customer's Retail Load, except as otherwise provided herein. As a provider of Full Requirements Electric Service, Company is solely responsible for satisfying all requirements and paying all costs incurred or to be incurred to provide Full Requirements Service, and Customer shall pay for such Full Requirements Electric Service as provided in Article 4 of this Agreement. Full Requirements Electric Service includes all generation-related services and schedules associated with Full Requirements Electric Service, as more fully identified in Appendix C of this Agreement.
- (b) Appendix C, delineating the respective cost responsibilities of Company and Customer for generation-related and transmission-related services and schedules,

respectively, is based upon the current PJM Operating Agreement and PJM OATT, and reflects the Company's current accounting for generation-related services and schedules, which are collected through the cost of service formulas set forth in Appendix B hereto. As either (i) schedules and services are added, deleted or changed in those agreements and tariffs of the Transmission Provider or in other documents governing the provision of and charges for services required in connection with Full Requirements Electric Service, or (ii) the accounting for such charges is changed, the Parties shall negotiate in good faith to determine, consistent with the principles underlying Appendix C, which new or changed schedules and services are predominantly generation-related and therefore shall be included in Full Requirements Electric Service and which are predominantly transmission-related and therefore shall be the responsibility of Customer. Appendices B and C shall automatically be amended, in a prompt manner, to incorporate such changes, as are mutually agreed by the Parties, and, when necessary, submitted to the FERC. The Parties shall cooperate in good faith to ensure that, irrespective of changes in the mechanisms for recovery of costs by the Transmission Provider and changes in accounting, the respective cost responsibilities of Company and Customer shall remain governed by this Agreement. In no event shall the costs of a particular service or schedule associated with Full Requirements Electric Service be recovered twice from Customer through its inclusion both in the costs used to derive the Full Requirements Electric Service unit rates pursuant to Appendix B and also in the costs in Appendix C for which Customer is responsible.

The cost-of-service formulas attached hereto as Appendix B make reference to certain page and line numbers found in the FERC Form 1 for Calendar Year 2005. From time to time, the FERC makes changes in the format of the FERC Form 1. Such changes may result in certain page and line references included in Appendix B being rendered inaccurate. Therefore, the Parties agree that to the extent that only formatting changes are involved and there is no substantive change, Appendix B shall be interpreted as if the page and line references contained therein are references to the pages and lines contained in the current FERC Form 1 on which can be found the data described on the pages and lines of the 2005 FERC Form 1.

- (c) Company understands that the Customer's Retail Load may change from time to time. Except as specifically provided herein, at no time during the Delivery Period shall Customer use either (i) newly constructed or purchased generation resources, or (ii) new power purchase agreements, to reduce Customer's Retail Load. Company is responsible for Full Requirements Electric Service regardless of changes in Retail Load arising from daily fluctuations, increased or decreased usage, extreme weather and/or similar events; provided, however, that the Parties agree that this Agreement does not obligate the Company to sell to Customer, or the Customer to purchase from Company, at the rates set forth herein, Full Requirements Electric Service for any additions to Retail Load that exceed Normal Load Growth.

- (d) To the extent that Customer's Retail Load grows at a rate in excess of Normal Load Growth, Company and Customer agree to meet to discuss whether such excess Retail Load could be served under this Agreement, or whether changes could be made to this Agreement to address how Customer's Retail Load that exceeds Normal Load Growth can be met under this Agreement; provided however, neither Party shall be required to accept a change with which it, in its sole judgment, disagrees. If the Parties do not agree how Customer's Retail Load that exceeds Normal Load Growth can be met under this Agreement, then Customer shall have the right to find alternate supplies to serve such excess Retail Load, including the use of New Generation in accordance with this Article. With appropriate compensation, Company will cooperate with Customer with respect to the integration of such alternative supplies into the total supply of Customer.
- (e) If, during the Term of this Agreement, one or both units of Company's Cook Nuclear Plant experiences an outage that is anticipated to extend longer than three (3) months, and the Parties agree in writing that a reduction in Customer's Full Requirements Electric Service would be mutually beneficial, then Customer may reduce Customer's Full Requirements Electric Service for the duration of the outage.

3.2 Transmission Service, Ancillary Services and Local Facilities Service.

- (a) Commencing simultaneously with the Delivery Period and ending no later than the end of the Term of this Agreement, Company shall arrange for Network Integration Transmission Service ("NITS") and Ancillary Services for Customer's Retail Load and shall be responsible during the Delivery Period for the provision of all such services. Customer shall be responsible for paying all NITS and any other related Transmission Provider charges (including but not limited to, administrative fees that the Company incurs but does not record on its books in generation-related accounts) as identified on Appendix C. Beginning July 1, 2006, and throughout the Term of this Agreement, Customer agrees to reimburse the Company for all NITS and any other related Transmission Provider charges that the Company incurs on the Customer's behalf, as well as for all charges for Ancillary Services the Company incurs but does not record on its books in generation-related accounts. These charges shall be billed by Company to Customer using the same rates and billing determinants that would be used by the Transmission Provider to bill Customer if Customer were separately billed by the Transmission Provider. Company agrees not to oppose the Customer's right to initiate or participate in any FERC proceeding regarding PJM or NITS charges. In no event shall the costs of a particular service or schedule associated with Full Requirements Electric Service be recovered twice from Customer through its inclusion both in the costs used to derive the Full Requirements Electric Service unit rates pursuant to Appendix B and also in the costs in Appendix C for which Customer is responsible.

(b) Prior to the beginning of the Delivery Period, Customer agrees to execute, and during the Term of this Agreement Customer agrees to maintain, an Interconnection and Local Delivery Service Agreement with the Company. Beginning July 1, 2006, and throughout the Term of this Agreement, Customer further agrees to pay all charges related to the Interconnection and Local Delivery Service Agreement to Company, or to the Transmission Provider acting as a billing and collections agent for the AEP Operating Companies, if the Customer, Company and Transmission Provider so agree. The services provided under the Interconnection and Local Delivery Service Agreement are sometimes referred to in this Agreement as “Local Facilities Service.”

3.3 Existing Generation. As of the Effective Date of this Agreement, Customer has no existing generating facilities behind the meters that will measure Customer’s Billing Demand and Billing Energy under this Agreement.

3.4 New Generation.

(a) Subject to all applicable interconnection and siting requirements, and any other applicable requirements, Customer may, at any time after the Effective Date of this Agreement, construct, behind the Company’s meters, new generating facilities, including but not limited to, generation facilities to provide backup, standby or emergency power (“New Generation”). The output of any New Generation shall be separately metered to allow Company to determine Customer’s total Retail Load unaffected by New Generation. Unless Customer designates a New Generation facility “Load Serving Generation” pursuant to the process set forth in Section 3.4(b) of this Agreement, New Generation shall be deemed to be “Non-Load Serving Generation” and shall be subject to the provisions of Section 3.4(c) of this Agreement.

(b) If the following conditions are met, then New Generation built by Customer after the Effective Date of this Agreement may be used to serve up to, and including, ten percent (10%) of Customer’s maximum demand established since the beginning of the Delivery Period (“Load Serving Generation”):

- (i) Customer shall provide Company with no less than two (2) years’ advance written notice of the in-service date of any Load Serving Generation it intends to build;
- (ii) Any Load Serving Generation built by Customer shall be capable of producing sufficient capacity and energy to serve the amount of Retail Load, not to exceed ten percent (10%) of Customer’s maximum demand established since the beginning of the Delivery Period, that Customer designates to be served by the Load Serving Generation (“Load Responsibility Percentage”);

- (iii) Customer's Load Responsibility Percentage shall be determined, to the nearest one tenth of one percent (0.1%), as of the in-service date specified by Customer in the notice provided under Section 3.4(b)(i), as the lower of (a) the amount specified by Customer (not to exceed the nameplate rating of the Load Serving Generation) as a percentage of Customer's maximum demand established since the beginning of the Delivery Period; or (b) 10%;
- (iv) Once Customer provides Company with written notice of its intention to build Load Serving Generation, then, as of the in-service date specified in Customer's notice, Customer shall be responsible for serving the Load Responsibility Percentage determined in accordance with Section 3.4(b)(iii), but not future load growth. Consequently, Customer's Load Responsibility Percentage will be adjusted to the nearest one tenth of one percent (0.1%), on an annual basis two (2) months prior to the beginning of the next Contract Year, in accordance with the following example: Customer builds Load Serving Generation with a five (5) MW nameplate rating at a time when its maximum demand is one hundred (100) MWs. Customer's Load Responsibility Percentage is five percent (5%). Over the next year, Customer's monthly maximum peak demand grows to one hundred ten (110) MWs. The Load Responsibility Percentage shall be adjusted to four and five tenths percent (4.5%) calculated by dividing five (5) MWs by one hundred ten (110) MWs;
- (v) Beginning on the in-service date specified in Customer's notice of its intention to build Load Serving Generation, regardless of the actual in-service date of the Load Serving Generation, Customer shall be responsible for serving the Load Responsibility Percentage of its Retail Load (*i.e.* "gross" load) in each hour throughout the remaining Term of this Agreement, and Company shall no longer have any obligation to serve that Load Responsibility Percentage of Customer's Retail Load under this Agreement. If Customer is unable to supply its Load Responsibility Percentage of its Retail Load from its Load Serving Generation, Customer shall supply such load from other sources, including the market. With appropriate compensation, Company will cooperate with Customer with respect to the integration of such other sources into the total supply of Customer; and
- (vi) Beginning on the in-service date specified in Customer's notice of its intention to build Load Serving Generation, the grant of any and all rights, interests and obligations to Company to supply the Load Responsibility Percentage of Customer's Retail Load under this Agreement shall cease, and Company and Customer shall cooperate, in advance, to make all necessary filings with the Transmission Provider and to perform all other

acts necessary to transfer all rights, interests and obligations associated with the Load Responsibility Percentage back to Customer.

- (c) Any New Generation built by Customer after the Effective Date of this Agreement that is not designated as Load Serving Generation under Section 3.4(b) shall be deemed to be non-load serving generation (“Non-Load Serving Generation”). So long as adequate metering is maintained on the Non-Load Serving Generation to measure hourly metered output in KWh, Customer may run its Non-Load Serving Generation at any time during the Delivery Period; provided, however, that Non-Load Serving Generation shall not reduce Retail Load or the amount of Full Requirements Electric Service that Customer is obligated to purchase from Company under this Agreement. The metered output of Customer’s Non-Load Serving Generation shall be added to the Customer’s metered load to determine Customer’s Billing Demand and Billing Energy (total Retail Load). The Parties agree that the sole compensation that Customer shall receive from Company for running Non-Load Serving Generation built to provide backup, standby or emergency power shall be a credit netted against Customer’s Monthly Bill calculated by taking an amount equal to (i) the metered KWh, as measured each hour by the metering on the Non-Load Serving Generation during the preceding month, adjusted for losses, times (ii) the Real-Time Locational Marginal Price (“LMP”) in the AEP Load Zone (“AEP Zonal LMP”) for each such hour less the PJM Balancing Operating Reserve charges for such hour. Customer may sell energy and/or capacity from other Non-Load Serving Generation (i.e. Non-Load Serving Generation that was not built to provide backup, standby and/or emergency power) into PJM, in accordance with applicable Market Rules and Procedures, or under a bilateral agreement with Company or a third party.

3.5 Qualifying Facility Purchases.

- (a) So long as Customer is receiving Full Requirements Electric Service from Company, Company shall be obligated to purchase the electrical output from any duly licensed and properly operating Qualifying Facility connected to Customer, but only so long as Company has such obligation pursuant to the Public Utility Regulatory Policies Act of 1978, as amended (“PURPA”). The definition of Qualifying Facility shall be as contained in PURPA and the FPA.
- (b) Company shall apply the monthly billing amounts set forth in Article 4 to the combined Full Requirements Electric Service supplied by Company and the amounts delivered by the Qualifying Facility to the Customer. If Customer pays the Qualifying Facility directly for such energy, Company shall provide a credit equal to Company’s avoided cost rate at the rate that Company would have paid to the Qualifying Facility if Company had directly purchased the Qualifying Facility output.
- (c) Customer agrees that Customer will not, directly or indirectly, engage in any activity to encourage or promote the construction or installation of a Qualifying Facility,

except as otherwise required by or necessary to comply with applicable law, and shall not itself install, purchase or operate a Qualifying Facility during the Term of this Agreement.

- (d) Customer shall notify Company of the proposed connection of any Qualifying Facility to Customer's system. Notification shall be in writing as soon as practical, but at least ninety (90) days prior to the connection of the Qualifying Facility.

3.6 Retail Choice.

- (a) The Parties expressly recognize that retail choice may occur in Customer's service area during the Term of this Agreement. In order to enable Customer to compete to retain existing customers, in the event retail choice is mandated in Customer's service area, by state or federal statutes, regulations, or regulatory agencies, or in the event other power suppliers plan to make a direct connection to one or more retail customers of Customer, the Parties agree as follows: If retail choice is available to a customer or an aggregated group of customers or a potential customer of Customer, Customer may negotiate a price with Company for the retention of such customer or group of customers, or to obtain new customers; provided, however, that if Customer and Company are unable to agree upon a price that retains or acquires such customer(s), then Customer may seek to obtain an alternate source of power supply, including the use of New Generation, which Company shall have the right of last refusal to match within one (1) Business Day of being officially notified by Customer. Such alternate source of power can only be made available to that specific customer or aggregated groups of customers for the defined period of the contract for alternate power supply and shall not be made available to other Retail Load of Customer or to displace other purchases.
- (b) "Mandated by state or federal statutes, regulations or regulatory agencies" includes the following scenarios: (i) state or federal statutes or regulations or regulatory agencies provide for retail choice by Customer's Retail Load as part of a larger retail choice program (in either a pilot program or permanent program), or (ii) Customer is exempt from such state or federal statutes or regulations, but retail customers of Customer, by vote or other legally enforceable right, require that Customer offer them the same provisions and rights contained in a statewide retail choice program.

3.7 Renewable Portfolio Standards.

- (a) During the Term of this Agreement, if the Company is required, as a result of federal or state laws, rules or regulations, to meet the requirements of any renewable portfolio standards, the Company agrees to meet those requirements with regard to Customer's Retail Load. In no event shall the Company be obligated to meet any renewable portfolio standards imposed upon or enacted by Customer that are more stringent than those standards that the Company is required to meet.

(b) In the event that Customer, but not Company, is required, as a result of federal or state laws, rules or regulations, to meet the requirements of any renewable portfolio standards, the Company and Customer agree to meet and discuss how such requirements are to be met.

ARTICLE 4: MONTHLY RATES AND BILLING

- 4.1 General Principles Regarding Monthly Charges for Full Requirements Electric Service.** The Monthly Charges for Full Requirements Electric Service supplied to Customer by Company hereunder during the Delivery Period of this Agreement shall include a Generation Demand Charge, a Generation Energy Charge (collectively, the “Generation Demand and Generation Energy Charges”), and a Generation Fuel Charge, all calculated in accordance with the terms of this Article and subject to all other terms and conditions contained in this Agreement. For each Calendar Year, the Generation Demand and Generation Energy Charges for which Customer is ultimately responsible shall be determined using data from Company’s FERC Form 1 for that Calendar Year and the Return on Common Equity from December of the preceding Calendar Year as specified in Section 4.6(b). Because of the time lag in availability of the FERC Form 1 data, Generation Demand and Generation Energy Charges will initially be assessed based on estimated monthly rates, and a “true-up” will subsequently be conducted for each Calendar Year, as provided in Section 4.3 hereof. The Generation Energy Charge shall exclude fuel-related costs. All fuel-related costs shall be recovered through the Generation Fuel Charge, which shall be “trued up” to more current actual fuel-related costs by means of the Fuel Adjustment Charge set forth in Section 4.5 hereof. The monthly rates used to calculate the Generation Demand Charge, Generation Energy Charge and Generation Fuel Charge for Full Requirements Electric Service shall be determined pursuant to the cost-of-service formulas set forth in Appendix B hereto. These formulas will be used for both estimated and actual (“trued-up”) rates and charges.
- 4.2 Estimated Generation Demand, Generation Energy, and Generation Fuel Charges.** Estimated monthly rates shall be developed for each Contract Year. The estimated monthly rates used to calculate the Generation Demand Charge, Generation Energy Charge and Generation Fuel Charge shall be determined annually by the Company, pursuant to Appendix B, prior to the 31st day of May; be provided to the Customer, for its review by June 1; and be made effective as of June 1 (*i.e.*, at the commencement of each Contract Year). The estimated monthly rates in effect during each Contract Year shall be based upon the cost incurred in providing Full Requirements Electric Service for the most recent Calendar Year for which FERC Form 1 data is available. Customer shall have the rights set forth in Section 4.4 of this Agreement regarding the calculation of these estimated monthly rates and the resulting estimated Monthly Charges.

For example, in Calendar Year 2007, for the first five months the estimated monthly rates used to bill Customer will be based upon Calendar Year 2005 FERC Form 1 data (and will be the same as the estimated monthly rates used in the latter portion of Calendar Year 2006); beginning on June 1, 2007, the estimated monthly rates will be based upon Calendar Year 2006 FERC Form 1 data (and will remain in effect for the remainder of the 2007-2008 Contract Year); and all charges based on these estimated rates for Calendar Year 2007 will be subject to “true-up” of the Generation Demand Rate and Generation Energy Rate in 2008, pursuant to Section 4.3.

4.3 True-Up of Generation Demand and Generation Energy Charges. Because the Generation Demand and Generation Energy Charges initially collected during a Calendar Year will be the product of estimated rates based on data from previous Calendar Years, the Generation Demand and Generation Energy Charges shall be adjusted (or “trued-up”) based upon (i) FERC Form 1 cost data from that Calendar Year and (ii) the Return on Common Equity calculated using data from December of the previous Calendar Year as specified in Section 4.6(b). The true-up for Generation Demand and Generation Energy Charges shall be conducted by Company prior to May 31st of each Calendar Year once the FERC Form 1 data for the prior Calendar Year is available, and shall be accomplished by recalculating the sums due to Company from Customer for service provided during the prior Calendar Year. The difference between the sum of the Monthly Charges originally billed to Customer for service provided during the Calendar Year, based on the estimated monthly rates, and the sum of the Monthly Charges for which Customer is ultimately responsible shall be billed to Customer or credited to Customer, as appropriate, in twelve (12) equal monthly amounts beginning with the month of June of the year immediately following the Calendar Year for which the “true-up” is calculated, unless otherwise agreed by the Parties. The amount to be billed or credited for any such over-collections or under-collections will include interest determined in accordance with Section 35.19a of FERC’s regulations, charged or applied from the date of original payment to the date when the over-collections or under-collections are paid or credited, but excluding the date paid or credited. Customer may unilaterally elect to prepay any amounts owed to Company, and Company may unilaterally elect to credit, in advance, any amounts due to Customer; and any such prepayments or advance credits shall be reflected in any interest calculations hereunder. Customer shall have the rights set forth in Section 4.4 of this Agreement regarding the calculation of the “trued-up” Monthly Charges.

For example, the “true-up” of Generation Demand and Generation Energy Charges initially collected for service provided during Calendar Year 2007 shall be conducted by Company by May 31, 2008. The “trued-up” charges shall be calculated using (i) 2007 FERC Form 1 cost data and (ii) the Return on Common Equity calculated using data from December, 2006. The difference between the sum of the Monthly Charges originally billed to Customer for service provided during 2007 (based on two different sets of estimated rates for portions of two Contract Years) and the sum of the “trued-up” Monthly Charges for Calendar Year 2007 will be divided into twelve (12) equal amounts

and billed to Customer or credited to Customer, as appropriate and with interest, in invoices sent to Customer from July 2008 through June 2009, covering services provided during June 2008 through May 2009, unless otherwise agreed by the Parties or unless a full prepayment is made by Customer or a full advance credit is refunded by Company.

- 4.4 Review Process.** Each time monthly rates are determined annually by the Company, whether to use in estimated billings to Customer during the upcoming Contract Year, or to “true up” the Generation Demand and Generation Energy Charges for the preceeding Calendar Year, the following information shall be provided to Customer by Company on or before June 1: (i) the Company’s FERC Form 1 Report; (ii) the calculation of the monthly rates; and (iii) workpapers showing the source of all data utilized in the calculation of the monthly rates and any other supporting documentation. The accuracy of the Company’s calculations, as well as the data used in those calculations (including FERC Form 1 data) shall be subject to review and adjustment in accordance with the following procedure:
- (a) Customer shall have until September 30 to review the information provided by the Company. During that time the Customer may ask the Company questions, but such questions shall be limited to determining if the Company properly applied the cost-of-service formulas in Appendix B; if the data used in Appendix B was proper; and if the Company’s calculations were consistent with this Agreement. The Company shall respond to such questions within fifteen (15) Business Days.
 - (b) If the Company and Customer do not resolve any dispute as to the appropriateness of the data used by the Company or the application of the cost-of-service formulas in Appendix B by September 30, Customer may file a complaint at FERC regarding the accuracy of the Company’s calculations or the data used in those calculations (including FERC Form 1 data), or both. The Parties agree that the complaint proceeding will be limited to determining if the Company properly applied the cost-of-service formulas in Appendix B; if the data used in Appendix B was proper; and if the Company’s calculations were consistent with this Agreement. The Company agrees to bear the burden of proof regarding these matters in any such complaint proceeding. The refund obligation will extend for the entire Contract Year or Calendar Year that is the subject of review as a result of the complaint proceeding, with Company having no right to seek suspension of the refund effective date.
 - (c) The Monthly Charges being collected from Customer by Company under this Agreement shall be subject to adjustment until the latest of (i) September 30 of each year during the Term of this Agreement, if at such time, there has been no complaint filed at FERC under this Section; (ii) the final resolution of any complaint filed pursuant to this Section; or (iii) the day any required corrections have been made by the Company. The Company shall make any necessary corrections as soon as possible and shall make any adjustments to Customer’s bill on the next monthly billing.

- 4.5 Fuel Adjustment Charge.** Customer shall pay Company a monthly Fuel Adjustment Charge determined pursuant to the cost-of-service formulas set forth in Appendix B hereto. The base cost of fuel, expressed in dollars per KWh, to be used in the Fuel Adjustment Charge shall equal the then-applicable Generation Fuel Rate. Customer shall be billed a Fuel Adjustment Charge each month for the energy delivered in the preceding month based upon estimated fuel charges in excess of the Generation Fuel Rate or, if applicable, shall be credited for the amount by which the estimated fuel charges are lower than the Generation Fuel Rate. Any difference between the estimated fuel charges and the fuel charges based on actual fuel costs shall be billed or credited to Customer on the first bill rendered after such actual fuel costs have been determined. Company shall use reasonable diligence when estimating monthly fuel charges so as to avoid any significant difference between estimated and actual monthly fuel charges to Customer.
- 4.6 Cost-of-Service Formulas.** The cost-of-service formulas set forth in Appendix B were designed, by mutual agreement, primarily to use the Company's FERC Form 1 costs. Certain costs that either are not reflected in the Company's FERC Form 1, or that the Parties agreed were not representative of the Company's costs, were determined by negotiation. The specific elements of the cost-of-service formulas set forth below were negotiated as an integrated and integral part of this Agreement:
- (a) For purposes of calculating the Company's rate base used in Appendix B, the Parties agree that the Company will include one hundred percent (100%) of its expenditures for Pollution Control Facilities and Fuel Conversion Facilities (as defined in Section 35.25 of the FERC's regulations) recorded on the Company's books and records as construction work in progress ("CWIP"), and fifty percent (50%) of its expenditures for all other CWIP.
 - (b) The Return on Common Equity, which will be used to compute the composite cost of capital used in Appendix B, shall be determined annually by taking the average of the daily Moody's Long-Term Baa Corporate Bond Index for the month of December of the preceding year, and adding 535 basis points (5.35 percentage points). For estimated Monthly Charges, the composite cost of capital and estimated Monthly Charges shall be developed using the Appendix B formulas and data from the FERC Form 1 for the Calendar Year that ends with the same month of December as was used to determine the Return on Common Equity. (For example, by June 1, 2008, the composite cost of capital shall be determined using the Return on Common Equity from December, 2007 and other capital cost data from the FERC Form 1 for Calendar Year 2007. The resulting composite cost of capital shall be used in the Appendix B formulas together with other FERC Form 1 data for Calendar Year 2007 to determine the estimated Generation Demand and Generation Energy Charges and the Generation Fuel Rate for the Contract Year beginning June 1, 2008.) For true-ups of the Generation Demand and Generation Energy Charges, the FERC Form 1 data for the Calendar Year being trueed up shall be used in conjunction with the Return on Common Equity from December of the prior Calendar Year. (For example, once

- 2008 FERC Form 1 data are available in 2009, such data shall be used to compute the 2008 composite cost of capital using the Return on Common Equity from December, 2007. That composite cost of capital will be used with other 2008 FERC Form 1 data to determine the trued-up Generation Demand and Generation Energy Charges for Calendar Year 2008.) So long as the Return on Common Equity computed pursuant to this Section 4.6(b) is neither lower than 9.0% nor higher than 18.0%, the Parties agree that the Return on Common Equity used to compute the composite cost of capital in Appendix B shall not be subject to change under Sections 205 or 206 of the Federal Power Act ("FPA"), absent the mutual written consent of the Parties. In the event that the Return on Common Equity produced as a result of the calculation provided for herein is either below 9.0% or above 18.0%, either Party may seek FERC review of the Return on Common Equity value under the "just and reasonable" standard of Sections 205 and 206 of the FPA.
- (c) The Company's Member Load Ratio share of net revenue from deliveries to non-associated companies by the AEP Operating Companies ("System Sales") shall be shared fifty percent (50%) by Customer and fifty percent (50%) by Company, with the Customer's share reducing the Company's total production cost as shown on Appendix B. For purposes of this Section 4.6(c), "net revenue" refers to the revenue in excess of the full cost of making such System Sales.
 - (d) The Depreciation Expense used in Appendix B will be calculated using the depreciation rates that are approved from time to time by the Michigan Public Service Commission ("MPSC") to record depreciation in the Company's Michigan jurisdiction. These depreciation rates are subject to periodic change at such time as the Company has filed new depreciation rates with the MPSC and the MPSC allows the Company to begin recording depreciation expense based upon newly-approved depreciation rates.
 - (e) The Nuclear Decommissioning expense used in Appendix B will initially be set at the total Company level of \$40 million. When the MPSC next authorizes a change in the level of Nuclear Decommissioning Expense for the Company's Michigan retail customers, the total Company level of Nuclear Decommissioning Expense used in Appendix B to calculate Customer's rates shall be reset as if the total Company level authorized by the MPSC were being collected from customers in all of the Company's regulatory jurisdictions. This provision in no way affects Customer's rights, if any, at FERC, regarding nuclear decommissioning expenses. The revenue collected from Customer, by means of the Monthly Charges in effect under this Agreement, includes a component sufficient to recover Customer's portion of Company's regulatory assets and unrecorded liabilities related to decommissioning.
 - (f) The method set forth in Appendix B to allocate costs as production-related and/or transmission-related shall be used throughout the Term of this Agreement; provided, however, that, to the extent that any of the following circumstances occur during the

Term of this Agreement, the Parties will meet and attempt to determine a mutually agreeable modification to Appendix B: (i) FERC determines in a rulemaking proceeding, or in a proceeding regarding the Company's costs to be included in the Transmission Provider's OATT, or it is agreed in a FERC-approved settlement of any such proceeding, that items currently included in Appendix B as production-related should be treated as transmission-related; or (ii) FERC determines in a rulemaking proceeding, or in a proceeding regarding the Company's costs to be included in the Transmission Provider's OATT, or it is agreed in a FERC-approved settlement of any such proceeding, that items currently excluded from Appendix B as transmission-related should be treated as production-related. If either or both of the circumstances in this Section 4.6(f) occurs and the Parties cannot agree upon a modification to Appendix B, then either Party may seek FERC review of Appendix B's treatment of the items addressed in such proceedings under the "just and reasonable" standard of Sections 205 and 206 of the FPA.

4.7 Billing Demand and Energy.

- (a) The monthly Billing Demand shall be the single highest 60-minute KW demand measured during the Billing Period, but not less than 400 KW.
- (b) The monthly Billing Energy shall be the total KWWhs of Firm Energy as measured during the Billing Period.

4.8 Determination of Monthly Bill. The Monthly Bill shall set forth charges for Full Requirements Electric Service, charges for Local Facilities Service, charges to reimburse costs incurred by Company on behalf of Customer in connection with Full Requirements Electric Service, and other charges associated with Full Requirements Electric Service. The Monthly Bill shall be the total of the following:

1. The product of the Generation Demand Rate and the Billing Demand; plus
2. The product of the Generation Energy Rate and the Billing Energy; plus
3. The product of the Generation Fuel Rate and the Billing Energy; plus
4. The product of the Fuel Adjustment Charge and the Billing Energy; plus
5. All applicable charges in accordance with the Interconnection and Local Delivery Service Agreement, to the extent not billed directly to the Customer by the Transmission Provider or otherwise; plus
6. All amounts due to Company for reimbursement of charges incurred by Company as the NITS customer for delivery of Full Requirements Electric Service in accordance with the OATT or related agreements for transmission-related schedules or services for which Customer is

responsible pursuant to Section 3.2(a) and Appendix C hereto, to the extent that such charges are not included in Items 1 through 5 above; minus

7. All amounts due to Customer from Company pursuant to Sections 3.3, 3.4 and 3.5; plus
8. Any applicable governmental taxes, fees and assessments attributable to Full Requirements Electric Service not included in any of the other elements of the Monthly Bill.

4.9 Payment Date. Customer shall pay Company any amounts due and payable hereunder on or before the later of the fifteenth (15th) day of each month, or the fifteenth (15th) day after receipt of invoice or, if such due date is not a Business Day, then on the next Business Day. All invoices shall be paid by electronic funds transfer, or by other mutually agreeable method(s), to the account designated by the Company. If all or any part of any amount due and payable pursuant to this Agreement shall remain unpaid thereafter, interest shall thereafter accrue and be payable to Company on such unpaid amount at a rate determined in accordance with Section 35.19a of FERC's regulations.

4.10 Payment Netting. Parties hereby agree that they shall discharge mutual debts and payment obligations due and owing to each other on the same date pursuant to this Agreement through netting, in which case all amounts owed by each Party to the other Party under this Agreement, interest, and payments or credits, shall be netted so that only the excess amount remaining due shall be paid by the Party who owes it. All amounts netted pursuant to Article Four shall not take into account or include any Performance Assurance or guaranty, which may be in effect to secure a Party's performance under this Agreement. If no mutual debts or payment obligations exist and only one Party owes a debt or obligation to the other during the monthly Billing Period, that Party shall pay such sum in full when due.

4.11 Billing Disputes. If a Party, in good faith, disputes an invoice, the disputing Party shall immediately notify the other Party of the basis for the dispute and pay the undisputed portion of such invoice no later than the due date; provided, however, with respect to any amounts the Company passed through from the Transmission Provider to the Customer pursuant to item 6 in Section 4.8 above, the full amount of the disputed bill shall be paid when due and any billing dispute shall be handled in accordance with the procedures set forth in the OATT. Upon resolution of the dispute, any required payment shall be made within five (5) Business Days of such resolution along with any interest accrued at the rate determined in accordance with Section 35.19a of the FERC's regulations from and including the due date to but excluding the date paid. Inadvertent overpayments shall be returned by the receiving Party or deducted at the option of the overpaying Party, in either case with interest accrued at the rate determined in accordance with Section 35.19a of the FERC's regulations until the date paid or deducted from and including the date of such

overpayment to but excluding the date repaid or deducted by the Party receiving such overpayment.

ARTICLE 5: TRANSMISSION PROVIDER IMPLEMENTATION

5.1 Implementation.

- (a) Company and Customer shall enter into, and file with the Transmission Provider and other applicable entities, all documents necessary for the Company and the Customer to fulfill their respective obligations to provide or take Full Requirements Electric Service.
- (b) The Parties recognize and agree that Company is deemed to be the Customer's Load Serving Entity for purposes of PJM and this Agreement. The Parties further recognize and agree that the Full Requirements Electric Service to be provided hereunder is a load obligation of the Company, for purposes of PJM and the AEP Interconnection Agreement, and that the Company assumes such load obligation as its own firm power commitment and shall retain all obligations and advantages accruing from meeting the load during the Term of this Agreement. At the end of this Agreement, the Customer shall become the Load Serving Entity and all obligations and advantages from being the Load Serving Entity shall revert to Customer.
- (c) Each Party shall provide the other Party access to information the other Party reasonably requests to facilitate the administration of this Agreement.

ARTICLE 6: CREDITWORTHINESS

- 6.1 **Financial Information.** If requested by a Party ("Party X"), the other Party ("Party Y") shall deliver (i) within one hundred fifty (150) days following the end of each fiscal year, a copy of the annual report containing audited consolidated financial statements for such fiscal year with respect to Party Y, and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of the quarterly report containing unaudited consolidated financial statements for such fiscal quarter with respect to Party Y, to the extent that such reports are prepared in Party Y's ordinary course of business on such schedule. In all cases the statements shall be for the most recent accounting period and shall be prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as Party Y diligently pursues the preparation, certification and delivery of the statements.

6.2 Credit Assurances.

(a) Customer represents that Customer's Charter ("Charter") in effect as of the Effective Date of this Agreement, enables it to charge rates which, together with the other revenues, produce revenues sufficient to pay maintenance expenses, purchased power expenses, other operation expenses, debt service on its bonds, other indebtedness, liens and/or charges against its revenues. In connection with the foregoing representations, Company hereby acknowledges receipt of a copy of the relevant portions of Customer's Charter. Customer agrees to annually provide Company with a copy of the relevant portion of its Charter, by June 1 of each Calendar Year during the Term of this Agreement, if requested by Company. If, at any time during the Term of this Agreement there are any material changes to Customer's Charter, or the rates it charges thereunder, that cause the representations of Customer described above to cease to be substantially accurate, Customer further agrees to immediately notify Company, in writing. Regardless of whether Customer so notifies the Company, or provides a copy of the relevant portions of its Charter to Company annually, the Customer and Company agree that if there are any material changes to Customer's Charter, or the rates it charges thereunder, that cause the representations described above to cease to be substantially accurate, then, the following provisions shall immediately become operable with respect to Customer.

- (i) If at any time Company has reasonable grounds to believe that Customer's creditworthiness or performance under this Agreement has become unsatisfactory, Company may provide the Customer with written notice requesting Performance Assurance in an amount determined by Company in a commercially reasonable manner.
- (ii) Upon receipt of such notice the Customer shall have three (3) Business Days to remedy the situation by providing such Performance Assurance to the Company.
- (iii) In the event that the Customer fails to provide such Performance Assurance or other credit assurance acceptable to the Company within three (3) Business Days of receipt of notice, then an Event of Default under Article 7 shall be deemed to have occurred.

(b) Grant of Security Interest/Remedies.

- (i) To secure its obligations under this Agreement and only to the extent Customer delivers Performance Assurance hereunder, Customer (the "Pledgor") hereby grants to Company (the "Secured Party") a present and continuing security interest in, and lien on (and right of setoff against), and assignment of, all cash collateral and cash equivalent collateral and any and all proceeds resulting therefrom or the liquidation thereof, whether

now or hereafter held by, on behalf of, or for the benefit of, the Secured Party, and Pledgor agrees to take such action as the Secured Party reasonably requires in order to perfect the Secured Party's first-priority security interest in, and lien on (and right of setoff against), such collateral and any and all proceeds resulting therefrom or from the liquidation thereof.

- (ii) Upon or any time after the occurrence or deemed occurrence and during the continuation of an Event of Default or an Early Termination Date by Customer, the Company may do any one or more of the following:
 - 1. exercise any of the rights and remedies of Company with respect to all Performance Assurance, including any such rights and remedies under law then in effect;
 - 2. exercise its rights of setoff against any and all property of the Customer in the possession of the Company or its agent;
 - 3. draw on any outstanding Letter of Credit issued for its benefit; and
 - 4. liquidate all Performance Assurance then held by or for the benefit of Company free from any claim or right of any nature whatsoever of the Customer, including any equity or right of purchase or redemption by the Customer.
- (iii) The Company shall apply the proceeds of the collateral realized upon the exercise of any such rights or remedies to reduce the Customer's obligations under the Agreement (the Customer remaining liable for any amounts owing to the Company after such application), subject to the Company's obligation to return any surplus proceeds remaining after such obligations are satisfied in full.

(c) **Interest Rate on Cash Amounts Held as Collateral.** For Performance Assurance in the form of cash that is held by Company pursuant to this Article Six, the interest rate will be the Federal Funds Rate minus 0.25% as from time to time in effect. "Federal Funds Rate" means the rate, for the relevant determination date opposite the caption "Federal Funds (Effective)", as set forth in the weekly statistical release designated as H.15 (519), published by the Board of Governors of the Federal Reserve System. Such interest shall be calculated commencing on the date Performance Assurance in the form of cash is received by Company but excluding the earlier of: (i) the date Performance Assurance in the form of cash is returned to Customer; or (ii) the date Performance Assurance in the form of cash is applied to a Customer's obligations pursuant to Section 6.2(b).

- (d) **Transfer of Interest Amount.** Customer shall invoice the Company monthly setting forth the calculation of the interest amount due, and the Company shall make payment thereof by the later of (i) the third Business Day of the first month after the last month to which such invoice relates; or (ii) the third Business Day after the day on which such invoice is received.

ARTICLE 7: DEFAULT AND REMEDIES

7.1 **Events of Default.** Any one or more of the following shall constitute an “Event of Default” hereunder with respect to either Party (the “Defaulting Party”):

- (a) The failure to make, when due, any payment required pursuant to this Agreement (other than payments disputed under Article 4) if such failure is not remedied within five (5) Business Days after written notice;
- (b) Any representation or warranty made by a Party herein is false or misleading in any material respect when made or when deemed made or repeated, if such failure is not remedied within thirty (30) Business Days after written notice;
- (c) The failure by Customer to provide Performance Assurance to Company as required under Article 6;
- (d) The failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default as specified above, and except to the extent such Party’s obligations to deliver or receive Firm Energy are modified by the provisions of Article 8), if such failure is not remedied within five (5) Business Days after written notice; or
- (e) A Party: (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it; (ii) makes an assignment or any general arrangement for the benefit of creditors; (iii) otherwise becomes bankrupt or insolvent (however evidenced); (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or (v) is generally unable to pay its debts as they fall due.

7.2 **Declaration of an Early Termination.** If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the other Party (the “Non-Defaulting Party”) shall have the right (i) to designate a day, no earlier than the day such notice is effective and no later than 20 days after such notice is effective, as an early termination date (“Early Termination Date”); (ii) withhold any payments due to the Defaulting Party under this Agreement; and (iii) suspend performance. The declaration of an Early Termination Date shall, as of the Early Termination Date, terminate this

Agreement and any obligation on the Company's part to provide service to Customer, under this Agreement or any other agreement or rate schedule, on the basis of

- (i) any terms or provisions of this Agreement;
- (ii) any previous agreements between the Customer and the Company, including, but not limited to, any previous electric service agreements, any settlement agreements resolving FERC proceedings, or any settlement agreements resolving any state or federal court suits (including the antitrust suits filed in the U.S. District Court for the Northern District of Indiana in Docket Nos. 74-72, 75-210, 77-210, 79-43); or
- (iii) any FERC tariffs or court orders in existence as of the Effective Date of this Agreement.

Customer expressly acknowledges that Customer also waives any right to request vacatur of the order of dismissal or to reinstitute proceedings in the antitrust suits filed in U.S. District Court for the Northern District of Indiana in Docket Nos. 74-72, 75-210, 77-210, 79-43).

7.3 Suspension of Performance. Notwithstanding any other provision of this Agreement, if an Event of Default shall have occurred and be continuing, the Non-Defaulting Party, upon written notice to the Defaulting Party, shall have the right

- (a) to suspend performance under this Agreement; provided, however, in no event shall any such suspension continue for longer than fifteen (15) Business Days unless an Early Termination Date shall have been declared and notice thereof pursuant to Article 9 been given;
- (b) to exercise any remedy available at law, subject to the limitations set forth in Section 10.1 hereof, including the right to seek to recover direct damages before a court of competent jurisdiction, and, if the Defaulting Party is the Customer, Company's right to seek to recover its stranded costs at FERC in accordance with Section 35.26 of FERC's regulations; and
- (c) to exercise any remedy available in equity.

7.4 Obligations At Expiration or Termination. Upon the termination or expiration of this Agreement, in addition to such rights and obligations enumerated elsewhere in this Agreement, the grant of any and all right and interest to Company to supply Full Requirements Electric Service under this Agreement shall cease. Customer and Company shall cooperate, in advance to the extent possible, to make all necessary filings with the Transmission Provider and to perform all other acts necessary to transfer all such rights and interests back to Customer in a timely manner.

ARTICLE 8: CURTAILMENT, TEMPORARY INTERRUPTIONS AND FORCE MAJEURE

- 8.1 Curtailment.** If there is a shortage of Energy requiring the curtailment of the Company's Firm Energy deliveries, then upon being notified by the Transmission Provider or the Company, Customer will institute procedures which will cause a corresponding curtailment of the use of Energy by its Retail Load. It is the express intention of this provision that any curtailment of Firm Energy shall fall equitably upon all firm loads served by the Company after, to the extent within the Company's control, the curtailment of its non-firm loads. If upon notification of a requirement to curtail, Customer fails to institute such procedures, Company shall be entitled to limit deliveries of Firm Energy to Customer in order to effectuate reductions in Energy deliveries, in the smallest amount that is operationally practical, equivalent to or greater than the reduction which would have been effected had Customer fulfilled its curtailment obligation hereunder during the period any shortage exists, and, in such event, Company shall not incur any liability to Customer in connection with any such action so taken by Company.
- 8.2 Temporary Interruptions.** Company will use reasonable diligence in furnishing Firm Energy to Customer, but Company does not guarantee that the supply of Firm Energy furnished to Customer will be uninterrupted, or that voltage and frequency will be at all times constant. The Company will not unduly discriminate against the Customer, as among its retail and wholesale customers, when handling the impact of temporary interruptions. Temporary interruption of Firm Energy deliveries hereunder shall not constitute a breach of the obligations of Company under this Agreement, and Company shall not in any such case be liable to Customer for damages resulting from any such temporary interruptions of service.
- 8.3 Force Majeure.** To the extent either Party is prevented by Force Majeure from carrying out, in whole or part, its obligations under this Agreement and such Party (the "Claiming Party") gives notice and details of the Force Majeure to the other Party as soon as practicable, then the Claiming Party shall be excused from the performance of its obligations with respect to this Agreement (other than the obligation to make payments then due or becoming due with respect to performance prior to the Force Majeure). The Claiming Party shall remedy the Force Majeure with all reasonable dispatch. The non-Claiming Party shall not be required to perform or resume performance of its obligations to the Claiming Party corresponding to the obligations of the Claiming Party excused by Force Majeure.
- 8.4 Transmission Curtailment.** Neither Party may raise a claim of Force Majeure based in whole or in part on curtailment by the Transmission Provider unless (i) such Party has contracted for firm transmission with the Transmission Provider for the services to be delivered to or received at the Delivery Point; and (ii) such curtailment is due to "force majeure" or "uncontrollable force" or a similar term as defined under the Transmission Provider's tariff.

ARTICLE 9: NOTICES, REPRESENTATIVES OF THE PARTIES

9.1 Notices. Any notice, demand, or request required or authorized by this Agreement to be given by one Party to another Party shall be in writing. Such notice shall be sent by facsimile, courier, personally delivered or mailed, postage prepaid, to the representative of the other Party designated in this Article 9. Any such notice, demand, or request shall be deemed to be given (i) when received by facsimile; (ii) when actually received if delivered by courier, overnight mail or personal delivery; or (iii) three (3) days after deposit in the United States mail, if sent by first class mail.

(a) Notices and other communications by Company to Customer shall be addressed to:

Dorothy Appleyard, Mayor
City of South Haven, Michigan
539 Phoenix Street
South Haven, Michigan 49090-1499
Phone: (269) 637-8087
Facsimile: (269) 637-5319

With a copy to:

Amanda Sleigh, City Clerk
City of South Haven, Michigan
539 Phoenix St.
South Haven, Michigan 49090-1499
Phone: (269) 637-0750
Facsimile: (269) 637-5319

Robert G. Stickland, P.E, Director of Public Works
City of South Haven, Michigan
1199 8th Avenue
South Haven, Michigan 49090-1499
Phone: (269) 637-0719
Facsimile: (269) 637-4778

(b) Notices and other communications by Customer to Company shall be addressed to:

President
Indiana Michigan Power Company
One Summit Square
Ft. Wayne, IN 46802
Phone: (260) 425-2355
Facsimile: (260) 425-2318

Vice President – Energy Marketing
American Electric Power Service Corporation
155 W. Nationwide Blvd., Suite 500
Columbus, OH 43215
Phone: (614) 583-6408
Facsimile: (614) 583-1626

With a copy to:

Credit Risk Management
American Electric Power Service Corporation
155 W. Nationwide Blvd., Suite 400
Columbus, OH 43215
Phone: (614) 583-6728
Facsimile: (614) 583-1626

(c) Any Party may change its representative by written notice to the other Parties.

- 9.2. **Authority of Representative.** The Parties' representatives designated in Section 9.1 shall have full authority to act for their respective principals in all technical matters relating to the performance of this Agreement. The Parties' representatives shall not, however, have the authority to amend, modify or waive any provision of this Agreement unless they are authorized officers of their respective entities and such amendment, modification or waiver is made pursuant to Section 16.6.

ARTICLE 10: LIABILITY, INDEMNIFICATION, AND RELATIONSHIP OF PARTIES

- 10.1 **Limitation on Consequential, Incidental and Indirect Damages.** TO THE FULLEST EXTENT PERMITTED BY LAW, NEITHER CUSTOMER NOR COMPANY, NOR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, MEMBERS, PARENTS, SUBSIDIARIES OR AFFILIATES, SUCCESSORS OR ASSIGNS, OR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, OR EMPLOYEES, SUCCESSORS, SUBSIDIARIES OR ASSIGNS, SHALL BE LIABLE TO THE OTHER PARTY OR THEIR RESPECTIVE MEMBERS, PARENTS, SUBSIDIARIES, AFFILIATES, OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, SUCCESSORS OR ASSIGNS, FOR CLAIMS, SUITS, ACTIONS OR CAUSES OF ACTION FOR INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE, MULTIPLE OR CONSEQUENTIAL DAMAGES CONNECTED WITH OR RESULTING FROM PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT, OR ANY ACTIONS UNDERTAKEN IN CONNECTION WITH OR RELATED TO THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, ANY SUCH DAMAGES WHICH ARE BASED UPON CAUSES OF ACTION FOR BREACH OF CONTRACT,

TORT (INCLUDING NEGLIGENCE AND MISREPRESENTATION), BREACH OF WARRANTY, STRICT LIABILITY, STATUTE, OPERATION OF LAW, UNDER ANY INDEMNITY PROVISION OR ANY OTHER THEORY OF RECOVERY. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO DIRECT DAMAGES ONLY, AND SUCH DIRECT DAMAGES SHALL BE THE SOLE AND EXCLUSIVE MEASURE OF DAMAGES AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. THE PROVISIONS OF THIS SECTION 10.1 SHALL APPLY REGARDLESS OF FAULT AND SHALL SURVIVE TERMINATION, CANCELLATION, SUSPENSION, COMPLETION OR EXPIRATION OF THIS AGREEMENT.

10.2 Indemnification.

- (a) To the extent permitted by law, each Party shall indemnify, defend and hold harmless the other Party from and against any Claims arising from or out of any event, circumstance, act or incident occurring or existing during the period when control and title to Full Requirements Electric Service is vested in such Party as provided in Section 10.3 of this Agreement.
- (b) Each Party shall indemnify, defend and hold harmless the other Party from and against any and all Claims for damages to any person or destruction of any property arising in any manner directly or indirectly by reason of the acts of such Party's authorized representatives while on the premises of the other Party under any rights of access provided herein.
- (c) Customer shall indemnify, defend and hold harmless the Company from and against any and all Claims for damages to any individual, firm or corporation constituting any part of Customer's Retail Load arising in any manner directly or indirectly by reason of a failure, interruption, curtailment, or deficiency in Company's supply of Full Requirements Electric Service.
- (d) Neither Party assumes any responsibility of any kind with respect to the construction, maintenance, or operation of the system or other property owned or used by the other Party. To the extent permitted by law, each Party agrees to indemnify, defend and hold harmless the other Party from any and all Claims for injuries to person or property by any person, firm or corporation in any way resulting from, growing out of, or arising in or in connection with the construction, maintenance or operation of the other Party's system or other property. The Customer further agrees to indemnify, defend and hold harmless the Company from any and all Claims for injuries to persons or property by any person, firm or corporation in any way resulting from, growing out of, or arising in or in connection with the use of, or contact with, Energy delivered hereunder after it is delivered to Customer and while it is flowing through

the lines of Customer, or is being distributed by Customer, or is being used by Retail Load.

- (e) If a Party intends to seek indemnification under this Section 10.2 from the other Party with respect to any Claim, the Party seeking indemnification shall give such other Party notice of such Claim within thirty (30) days of the commencement of, or actual knowledge of, such Claim, whichever is earlier. Such Party seeking indemnification shall have the right, at its sole cost and expense, to participate in the defense of any such Claim. The Party seeking indemnification shall not compromise or settle any such Claim without the prior consent of the other Party, which consent shall not be unreasonably withheld.

10.3 Title; Risk of Loss. Title to and risk of loss related to the Full Requirements Electric Service provided hereunder shall transfer from Company to Customer at the Delivery Points. Company represents and warrants that it will deliver Full Requirements Electric Service to Customer free and clear of all claims or any interest therein or thereto by any person arising prior to the Delivery Points.

ARTICLE 11: REPRESENTATIONS AND WARRANTIES

11.1 Company and Customer Representations and Warranties. Company and Customer Represent and Warrant to the other that:

- (a) It is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and is qualified to conduct business in either Indiana or Michigan, or both, as applicable;
- (b) It has, or upon execution of this Agreement will promptly seek, all regulatory authorizations necessary for it to legally perform its obligations under this Agreement;
- (c) The execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, including, but not limited to, any organizational documents, charters, by-laws, indentures, mortgages or any other contracts or documents to which it is a party, or any law, rule, regulation, order or the like applicable to it;
- (d) This Agreement, and each other document executed and delivered in accordance with this Agreement constitutes its legally valid and binding obligation enforceable against it in accordance with its terms, subject to any legal and equitable defenses;

- (e) It is not bankrupt and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it, which would result in it being or becoming bankrupt;
- (f) There is not pending or, to its knowledge, threatened against it any legal proceedings that could materially and/or adversely affect its ability to perform its obligations under this Agreement, including but not limited to Related Documents; and
- (g) There is no Event of Default or events which, with the giving of notice or lapse of time or both, would constitute an Event of Default with respect to it, and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement.

11.2 Customer Representations and Warranties. Customer Represents and Warrants to Company that:

- (a) With respect to its contractual obligations hereunder and performance thereof, it will not claim immunity on the grounds of its status as a municipality under Federal or state law or similar grounds with respect to itself or its revenues or assets from (i) suit, (ii) jurisdiction of court (including a court located outside the jurisdiction of its organization), (iii) relief by way of injunction, order for specific performance or recovery of property, (iv) attachment of assets, or (v) execution or enforcement of any judgment; and
- (b) Customer shall provide and maintain suitable protective devices on its equipment to prevent any loss, injury or damage that might result from single phasing conditions or any other fluctuations or irregularity in the supply of Energy. Company shall not be liable for any loss, injury or damage resulting from a single phasing condition or any other fluctuation or irregularity in the supply of Energy which could have been prevented by Customer's use of such protective devices.

ARTICLE 12: ASSIGNMENT

12.1 General Prohibition Against Assignments. Except as provided in Section 12.2 below, no Party shall assign, pledge or otherwise transfer this Agreement or any right or obligation under this Agreement without first obtaining the other Party's written consent, which consent shall not be unreasonably withheld.

12.2 Exceptions to Prohibition Against Assignments. A Party may, without the other Party's prior written consent, (and without relieving itself from liability hereunder) (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements; or (ii) transfer or assign this agreement to any person or entity succeeding by merger or by

acquisition to all or substantially all of the assets of the assigning Party, where such person's or entity's creditworthiness is equal to or higher than that of the assigning Party; provided, however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof.

ARTICLE 13: CONFIDENTIALITY

13.1 Treatment of Confidential Information.

- (a) To the extent permitted by law, all Confidential Information shall be held and treated by the Parties and their agents in confidence, used solely in connection with this Agreement, and shall not, except as hereinafter provided, be disclosed without the other Party's prior written consent.
- (b) Notwithstanding the foregoing, Confidential Information may be disclosed (i) to a third party for the purpose of effectuating the supply, transmission and/or distribution of Full Requirements Electric Service to be delivered pursuant to this Agreement; (ii) to regulatory authorities of competent jurisdiction, or as otherwise required by applicable law, regulation or order, including state sunshine, open meeting, freedom of information or similar laws; (iii) as part of any required, periodic filing or disclosure with or to any regulatory authority of competent jurisdiction; and (iv) to third parties in connection with merger, acquisition/disposition and financing transactions provided that any such third party shall have signed a confidentiality agreement with the Disclosing Party containing customary terms and conditions that protect against the disclosure of the Confidential Information and that strictly limit the recipient's use of such information only for the purpose of the subject transaction and that provide for remedies for non-compliance. Disclosing Party shall make all reasonable efforts to ensure that Confidential Information remains confidential even if disclosed, including marking such information confidential and requesting confidential treatment of such information.
- (c) In the event that a Party ("Disclosing Party") is requested or required to disclose any Confidential Information pursuant to subsection (b) of this Article, the Disclosing Party shall provide the other Party with prompt written notice of any such request or requirement, so that the other Party may seek an appropriate protective order, other confidentiality arrangement or waive compliance with the provisions of this Agreement. If, failing the entry of a protective order, other confidentiality arrangement or the receipt of a waiver hereunder, the Disclosing Party, in the opinion of counsel, is compelled to disclose Confidential Information, the Disclosing Party may disclose that portion of the Confidential Information which the Disclosing Party's counsel advises that the Disclosing Party is compelled to disclose.
- (d) The Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation. In addition to the

foregoing, the Disclosing Party shall indemnify, defend and hold harmless the other Party from and against any Claims, threatened or filed, and any losses, damages, expenses, attorneys' fees or court costs incurred by such Party in connection with or arising directly or indirectly from or out of the Disclosing Party's disclosure of the Confidential Information to third parties except as permitted above.

- (e) Notwithstanding the above provisions, Company shall be permitted to communicate to the Transmission Provider any necessary information, including Confidential Information, with regard to implementation of this Agreement, and will make all reasonable efforts to ensure that Confidential Information remains confidential.

ARTICLE 14: REGULATORY AUTHORITIES

14.1 Effect of Regulation.

- (a) Each Party shall perform its obligations hereunder in accordance with applicable law, rules and regulations. Unless specifically provided otherwise in this Agreement, nothing in this Agreement affects, modifies or negates either Party's rights or obligations under the FPA and the regulations promulgated thereunder, or any other federal or state law or regulation. Nothing contained herein shall be construed to constitute consent or acquiescence by either Party to any action of the other Party which violates the laws of the United States or any applicable state laws, as those laws may be amended, supplemented or superseded, or which violates any other law or regulation, or any order, judgment or decree of any court or governmental authority of competent jurisdiction.
- (b) The Parties hereto recognize that this Agreement is subject to the jurisdiction of the FERC, and that the Company will file this Agreement with the FERC. Should the FERC not accept this Agreement for filing, without change or condition, this Agreement shall not become effective, unless the Parties agree otherwise in writing, it being the intent of the Parties that the FERC's acceptance of this Agreement, without change or condition, is a prerequisite to the validity of this Agreement. In the event that this Agreement is not accepted for filing, without change or condition, the Parties agree to negotiate in good faith to reach an agreement that provides for a similar balancing of interests as is reflected in this Agreement.
- (c) The Parties agree to use their best efforts to seek and obtain the prompt approval of this Agreement by the FERC.
- (d) Once this Agreement is accepted for filing by the FERC and Company commences delivering Full Requirements Service to Customer under this Agreement, the Parties agree: 1) that the currently-effective Electric Service Agreement between Company

and Customer shall be terminated and superceded, and shall no longer have any force or effect; and 2) that if no other customers are taking service thereunder, the Company can cancel any FERC Electric Tariff or Tariffs under which Customer is currently served. The Customer agrees not to oppose such cancellation and further agrees that it will not be eligible for cost-based service under any such tariff or tariffs as long as they remain in place.

- (e) The Parties recognize the Company's obligation, under FERC's Order 888, to unbundle the costs of providing service to Customer under this Agreement. Customer agrees that the unbundling of the costs of generation, NITS, Ancillary Services and Local Delivery Services, to be charged to Customer by Company under Article 4 of this Agreement, satisfies the FERC's requirements, even though the costs of certain Ancillary Services are included as generation-related costs under the formula rate mechanism in Appendix B. Company agrees to provide Customer with a breakdown of costs that would be charged to Customer under the OATT, assuming the Customer were paying a market-based generation price, as opposed to a cost-based formula rate, within thirty (30) days of Customer's request.

ARTICLE 15: DISPUTE RESOLUTION AND STANDARD OF REVIEW FOR PROPOSED CHANGES

15.1 Resolution by Officers of the Parties. In the event of any dispute among the Parties arising out of or relating to this Agreement, the Parties shall refer the matter to their duly authorized officers for resolution. Should such officers fail to resolve the dispute within ten (10) days after such referral, the Parties agree that any such dispute may be resolved pursuant to Section 15.2.

15.2 Procedures for Resolution of Disputes.

- (a) Any claim, counterclaim, demand, cause of action, dispute, or controversy arising out of or relating to this Agreement or the relationship established by this Agreement, any provision hereof, the alleged breach thereof, or in any way relating to the subject matter of this Agreement, involving the Parties and/or their respective representatives (for purposes of this Section only, collectively the "Disputes"), even though some or all of such Disputes allegedly are extra contractual in nature, whether such Claims sound in contract, tort, or otherwise, at law or in equity, under state or federal law, whether provided by statute or the common law, for damages or any other relief, may, upon mutual agreement of the parties, be resolved by binding arbitration. Such arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Upon agreement to arbitrate, any award made hereunder shall be binding upon the Parties, their successors and assigns, and any trustee or receiver of either Party. The existence of this Section 15.2(a), absent an

agreement of the Parties to proceed thereunder, shall not affect, by itself, FERC's jurisdiction over this Agreement or any disputes under this Agreement, or either Party's rights to seek relief from FERC to resolve such disputes.

- (b) In the event a Dispute comes before a court of competent jurisdiction, the Parties hereby knowingly, voluntarily and intentionally waive any rights they may have to a trial by jury in respect of any litigation based hereon, or arising out of, under, or in connection with, this Agreement and/or any course of conduct, course of dealing, statements (whether oral or written) or actions of Company and Customer related hereto.

15.3 Standard of Review.

- (a) Notwithstanding the provisions of Sections 15.1 and 15.2 hereof, and subject to the exceptions set out in Section 15.3(b), the Parties agree that the provisions of this Agreement, including without limitation the rates and charges and conditions of service contained herein, are subject to change by the FERC, and that the Company and Customer shall be entitled, at any time and from time to time, to apply for or to take other action to request such a change under Sections 205 or 206 of the FPA, respectively, and pursuant to the rules and regulations promulgated thereunder (Sections 205 or 206), provided further, however, Customer agrees not to apply for or to assert or take any other action to request a change to the Agreement under Section 206 of the FPA for any portion of the Delivery Period prior to June 1, 2015.
- (b) The Parties expressly agree that the following provisions of this Agreement are not subject to change under Sections 205 or 206, absent the mutual written consent of the Parties:
1. the Term and expiration date of this Agreement;
 2. the Parties' agreement that Customer is not entitled to cost-based rates, after the cancellation, termination or expiration of this Agreement, on the basis of the agreements, orders and/or tariffs set out in Sections 2.2(d), 2.3 (b) and 7.2;
 3. the cessation of the Company's obligation to plan to meet Customer's Retail Load, after the end of the Term of this Agreement, absent an agreement of the Parties that extends beyond the Term of this Agreement;
 4. the continuation of a cost-based formula rate throughout the Term of this Agreement;
 5. the credit provisions in Article 6;

6. the cost-of-service provisions contained in parts (a) through (f) of Section 4.6 of this Agreement (except as explicitly specified in Section 4.6(b) and (f)); and
7. the standard of review provisions in this Section.

It is the intent of this Section and the Parties that, to the maximum extent permitted by law, the provisions of this Agreement that are enumerated in this Section 15.3 (b) shall not be subject to change under Sections 205 and 206, and that absent the written agreement of the Parties to change any of the above enumerated provisions, the standard of review for changes to any of those enumerated provisions proposed by a Party, or a non-party, or the FERC, acting *sua sponte*, shall be the public interest standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956) (the *Mobile-Sierra Doctrine*).

ARTICLE 16: GENERAL PROVISIONS

- 16.1 **Third Party Beneficiaries.** This Agreement is intended solely for the benefit of the Parties hereto, and nothing herein will be construed to create any duty to, or standard of care with reference to, or any liability to, any person not a Party hereto.
- 16.2 **No Dedication of Facilities.** Any undertakings or commitments by one Party to the other under this Agreement shall not constitute the dedication of generation facilities or the transmission system or any portion thereof of either Party to the other Party.
- 16.3 **Waivers.** The failure of a Party to insist in any instance upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights under this Agreement shall not be construed as a general waiver of any such provision or the relinquishment of any such right, except to the extent such waiver is in writing and signed by an authorized representative of such Party.
- 16.4 **Interpretation.** The interpretation and performance of this Agreement shall be in accordance with and controlled by the laws of the State of Michigan, without giving effect to its conflict of laws provisions.
- 16.5 **Severability.** If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby; and the Parties hereby agree to effect such modifications to this Agreement as shall be reasonably necessary in order to give effect to the original intention of the Parties.

- 16.6. Modification.** No modification to this Agreement will be binding on any Party unless it is in writing and signed by the Parties.
- 16.7 Counterparts.** This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.
- 16.8 Headings.** Article and Section headings used throughout this Agreement are for the convenience of the Parties only and are not to be construed as part of this Agreement.
- 16.9 Audit.** Each Party has the right, at its sole expense and during normal working hours, to examine the records of the other Party to the extent reasonably necessary to verify the accuracy of any invoice, charge or computation made pursuant to this Agreement. If requested, a Party shall provide to the other Party invoices evidencing the quantities of Full Requirements Electric Service. If any such examination reveals any inaccuracy in any invoice, the necessary adjustments to such invoice and the payments thereof will be made promptly and shall bear interest at a rate calculated in accordance with Section 35.19a of the FERC's Regulations from the date the overpayment or underpayment was made until paid; provided, however, that no adjustment for any statement or payment will be made unless objection to the accuracy thereof was made prior to the lapse of twelve (12) months from the rendition thereof, and thereafter any objection shall be deemed waived.
- 16.10 Records.** The Parties shall keep (or as necessary cause to be kept by their respective agents) for a period of at least five (5) years such records as may be needed to afford a clear history of the Full Requirements Service supplied pursuant to this Agreement. For any matters in dispute, the Parties shall keep the records related to such matters until the dispute is ended.
- 16.11 Survival.** The provisions of Articles 10, 13 and 15, and Sections 16.9 and 16.10 hereof, and any other Section of this Agreement that specifies by its terms that it survives termination, shall survive the cancellation, termination or expiration of this Agreement.
- 16.12 Cooperation to Effectuate Agreement.** Each Party shall cooperate to implement the provisions of and to administer this Agreement in accordance with the intent of the Parties.

ARTICLE 17: RULES OF CONSTRUCTION

- 17.1** Terms used in this Agreement but not listed in this Article, or defined herein or in Article 1, shall have meanings as commonly used in the English language and, where applicable, in Good Utility Practice.

- 17.2** Words not otherwise defined herein that have well known and generally accepted technical or trade meanings are used herein in accordance with such recognized meanings.
- 17.3** The masculine shall include the feminine and neuter.
- 17.4** The words “include”, “includes” and “including” are deemed to be followed by the words “without limitation.”
- 17.5** References to contracts, agreements and other documents and instruments shall be references to the same as amended, supplemented or otherwise modified from time to time.
- 17.6** The Appendices attached hereto are incorporated in and are intended to be a part of this Agreement; provided, that in the event of a conflict between the terms of any Appendices and the terms of this Agreement, the terms of this Agreement shall take precedence.
- 17.7** References to laws and to terms defined in, and other provisions of, laws shall be references to the same (or a successor to the same) as amended, supplemented or otherwise modified from time to time.
- 17.8** References to a person, entity, or governmental authority shall include its permitted successors and assigns, and any entity succeeding to the functions and capacities of that person, entity or governmental authority.
- 17.9** References to “Articles,” “Sections,” or “Appendices” shall be to articles, sections, or appendices of this Agreement, or, as appropriate, to sections of the FPA or FERC’s regulations.
- 17.10** Unless the context plainly indicates otherwise, words importing the singular number shall be deemed to include the plural number (and vice versa); terms such as "hereof," "herein," "hereunder" and other similar compounds of the word "here" shall mean and refer to the entire Agreement rather than any particular part of the same.
- 17.11** This Agreement was negotiated and prepared by both Parties with the advice and participation of counsel. The Parties have agreed to the wording of this Agreement and none of the provisions hereof shall be construed against one Party on the ground that such Party is the author of this Agreement or any part hereof.

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Agreement on their behalf as of the date first above written.

City of South Haven, Michigan

By: _____

Name: Robert Burr

Title: Mayor

Indiana Michigan Power Company

By: _____

Name: Paul Chodak, III

Title: President

APPENDIX A
LIST OF DELIVERY POINTS

CITY OF SOUTH HAVEN

DELIVERY POINTS

AS OF MAY 1, 2006

	<u>DESCRIPTION</u>	<u>DELIVERY VOLTAGE</u>
.	Phoenix	Transmission
.	Lovejoy	Transmission

Cost-of-Service Formulas**APPENDIX B**

A-1

DETERMINATION OF DEMAND-RELATED COSTS AND
DEMAND CHARGE
TWELVE MONTHS ENDED DECEMBER 31, _____

	<u>Demand Related</u>	<u>Reference</u>
1. Return on Investment	\$	P.A-5, L.18, Col (2)
2. Operation & Maintenance Expense	\$	P.A-14, L.8, Col (2)
3. Depreciation Expense	\$	P.A-15, L.14, Col (2)
4. Taxes Other Than Income Taxes	\$	P.A-16, L.7, Col (2)
5. Income Tax	\$	P.A-17, L.5, Col (2)
6. <u>Subtotal</u>	<u>\$</u>	Lines 1 through 5
7. Less: Off-System Sales for Resale Expenses	\$	P. A-4, L.3, Col (2)
8. Less: Customer Share of Off-System Sales Margin	\$	P. A-4, L.4, Col (2)
9. Adjustment of Other Income and Deductions	\$	Note A
10. <u>Annual Production Fixed Cost</u>	<u>\$</u>	L.6 - L.7 - L.8 + L.9
11. Monthly Peak Megawatts	#	FERC-1, p.401b
12. Demand Charge @ Generation	\$ /kW	L.10 / L.11 / 1,000
13. Loss Adjusted Monthly Demand at Peak	# kW	Note B
14. <u>Annual Demand Revenue Requirement</u>	<u>\$</u>	L.12 X L.13
15. Loss Adjusted Monthly Demand	# kW	Note B
16. <u>Demand Charge @ Generation</u>	<u>\$ /kW</u>	L.14 / L.15
17. Transmission Loss Factor	#	Note C
18. Transmission Voltage Demand Charge	\$ /kW	L.16 X L.17
19. Primary Loss Factor	#	Note C
20. Primary Voltage Demand Charge	\$ /kW	L.16 X L.19

Note A: To be determined by accounting department.

Note B: Total customer demands adjusted for losses to generation.

Note C: Losses pursuant to OATT and loss study.

Cost-of-Service Formulas

A-2

DETERMINATION OF ENERGY RELATED COSTS AND
ENERGY CHARGE
TWELVE MONTHS ENDED DECEMBER 31, _____

APPENDIX B

	<u>Energy Related</u>	<u>Reference</u>
1. Total Fuel	\$	P.A-14, L.16, Col (4)
2. Purchased Power (555)	\$	P.A-14, L.1, Col (4)
3. Other Production Expense	\$	P.A-14, L.4, Col (3)
4. <u>Total Production Cost</u>	<u>\$</u>	Lines 1, 2 & 3
5. Less: Off-System Sales for Resale Expenses	\$	P. A-4, L.3, Col (3)
6. Less: Customer Share of Off-System Sales Margin	\$	P. A-4, L.4, Col (3)
7. <u>Subtotal</u>	<u>\$</u>	L.4 - L.5 - L.6
8. Administrative & General Expense	\$	P.A-10, L.17, Col (5)
9. Return on Investment	\$	P.A-5, L.18, Col (3)
10. Depreciation Expense	\$	P.A-15, L.14, Col (3)
11. Income Tax	\$	P.A-17, L.5, Col (3)
12. <u>Annual Production Variable Costs</u>	<u>\$</u>	Lines 7 thru 11
13. Production Fuel Costs	\$	P.A-14, L.20, Col (4)
14. <u>Non-Fuel Costs</u>	<u>\$</u>	L.12 - L.13
15. Net mWh Generated and Purchased, less mWh Sold	#	FERC-1, p.401b
16. Energy Charge	\$ /kWh	L.14 / L.15 / 1,000
17. Fuel Charge	\$ /kWh	L.13 / L.15 / 1,000
18. Transmission Loss Factor	#	P.A-1, L.17
19. Transmission Voltage Energy Charge	\$ /kWh	L.16 X L.18
20. Transmission Voltage Fuel Charge	\$ /kWh	L.17 X L.18
21. Primary Loss Factor	#	P.A-1, L.19
22. Primary Voltage Energy Charge	\$ /kWh	L.16 X L.21
23. Primary Voltage Fuel Charge	\$ /kWh	L.17 X L.21

Cost-of-Service Formulas

A-3

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APPENDIX B

Cost-of-Service Formulas

APPENDIX B

A-4

OFF-SYSTEM SALES REVENUES AND MARGIN
TWELVE MONTHS ENDED DECEMBER 31, ____

	Reference	PRODUCTION		
		Amount (1)	Demand (2)	Energy (3)
1. Off-System Sales Revenues	Note A	\$	\$	\$
2. Less: Margins from Off-System Sales	Note B	\$	\$	\$
3. Off-System Sales Expenses	L.1 - L.2	\$	\$	\$
4. Customer Share of Margins	50% of L.2	\$	\$	\$

Note A: Revenues associated with off-system sales as reported in Account 447
(FERC-1, Page 311, column H, excluding RQ)

Note B: From Accounting.

Cost-of-Service Formulas

APPENDIX B

A-6

PRODUCTION-RELATED ELECTRIC PLANT IN SERVICE

TWELVE MONTHS ENDED DECEMBER 31, _____

	Reference	System Amount (1)	PRODUCTION		
			Amount (2)	Demand (3)	Energy (4)
1.	GROSS PLANT IN SERVICE				
2.	Plant in Service	Note A	\$	\$	\$
3.	Less: ARO-related Plant		\$	\$	\$
4.	Restated Plant in Service	L.2 - L.3	\$	\$	\$
5.	Generator Step-Ups Included in Accts. 352 & 353 above		\$	\$	\$
6.	General & Intangible Plant	P. A-7, L.19	\$	\$	\$
7.	Total	L.4 + L.5 + L.6	\$	\$	\$
8.	Percentage of Total		%	%	%
9.	ACCUMULATED PROVISION FOR DEPRECIATION				
10.	Plant in Service	Note C	\$	\$	\$
11.	Less: ARO-related Depreciation		\$	\$	\$
12.	Adjustment to Depreciation Rate	Note D	\$	\$	\$
13.	Generator Step-Ups Included in Accts. 352 & 353 above		\$	\$	\$
14.	Adjustment to Depreciation Rate	Note D	\$	\$	\$
15.	General & Intangible Plant	Note B	\$	\$	\$
16.	Adjustment to Depreciation Rate	Note B, D	\$	\$	\$
17.	Total	L.10 - L.11 + L.12 + L.13 + L.14 + L.15 + L.16	\$	\$	\$
18.	ACCUM DEFERRED TAXES	Note E	\$	\$	\$

Note A: Gross Plant in Service is the average of beginning and ending year balances (FERC-1, P. 206 & 207)

Note B: % from P.A-7, L.17

Note C: Accumulated Depreciation is the average of beginning and ending year balances (FERC-1, P.219)

Note D: From Accounting.

Note E: FERC-1, P. 234 Ln. 8 (Account 190), FERC-1 P. 272/273 Ln. 8 (Account 281), FERC-1, P. 274/275 Ln. 5 (Account 282), and FERC-1, P. 276/277 Ln. 9 (Account 283) - Allocated on Gross Plant in Service

Cost-of-Service Formulas

APPENDIX B

A-7

PRODUCTION-RELATED GENERAL PLANT ALLOCATION
TWELVE MONTHS ENDED DECEMBER 31, ____

General Plant Accounts 101 and 106						
		Total System (1)	Allocation Factor (2)	Related to Production (1) x (2) (3)	Demand (4)	Energy (5)
1.	GENERAL PLANT					
2.	389 Land	\$				
3.	390 Structures	\$				
4.	391 Office Equipment	\$				
5.	392 Transportation Equipment	\$				
6.	393 Stores Equipment	\$				
7.	394 Tools, Shop & Garage Equipment	\$				
8.	395 Lab Equipment	\$				
9.	396 Power Operated Equipment	\$				
10.	397 Communications Equipment	\$				
11.	398 Miscellaneous Equipment	\$				
12.	Subtotal	\$	Note A	\$	\$	\$
13.	PERCENT of Subtotal	%		%	%	%
14.	Other Tangible Property (Excluding 399.1)					
15.	399.0 Other Tangible Property	\$		\$	\$	\$
16.	TOTAL GENERAL PLANT (Excl. 399.1)	\$	FERC-1, P.206	\$	\$	\$
17.	PERCENT of Total	%		%	%	%
18.	Intangible Plant	\$	FERC-1, P.204	\$	\$	\$
19.	General and Intangible Plant	\$		\$	\$	\$
Note A:	Allocation factors based on wages and salaries in electric operations and maintenance expenses, excluding administrative and general expenses:			I&M	AEPSC Note B	Total
	a. Total wages and salaries in electric O&M excluding A&G FERC-1, P. 354, Column (b), L.25-L.24.			\$	\$	\$
	b. Production wages and salaries in electric O&M FERC-1, P.354, Col (b), L.18.			\$	\$	\$
	c. Ratio (b/a)					%
	Classification factors based on wages and salaries in electric operations and maintenance expenses, excluding administrative and general expenses:					
	a. Production wages and salaries in electric O&M					\$
	b. Production demand-related wages and salaries			\$	\$	\$
	c. Ratio (b/a)					%
Note B:	From Accounting.					

Cost-of-Service Formulas

APPENDIX B

A-8

PRODUCTION-RELATED CASH REQUIREMENT
 TWELVE MONTHS ENDED DECEMBER 31, _____

	Reference	PRODUCTION		
		Amount (1)	Demand (2)	Energy (3)
1. Fuel Expense	P. A-14, L.16	\$	\$	\$
2. Fuel Cash Requirements	$45/360 \times L.1$	\$	\$	\$
3. Purchased Power	P. A-14, L.1	\$	\$	\$
4. Purchased Power Cash Requirements	$45/360 \times L.3$	\$	\$	\$
5. Total O&M, Excluding Fuel	P. A-14, L.8	\$	\$	\$
6. Other O&M Expense	L.5 - L.3	\$	\$	\$
7. Other O&M Cash Requirements	$45/360 \times L.6$	\$	\$	\$
8. Total Cash Requirements	$L.2 + L.4 + L.7$	\$	\$	\$

Cost-of-Service Formulas

APPENDIX B

A-9

PRODUCTION-RELATED MATERIALS & SUPPLIES
 TWELVE MONTHS ENDED DECEMBER 31, ____

	Reference	Total System (1)	Allocation Factor (2)	Related to Production (1) x (2) (3)	Demand (4)	Energy (5)
1. Material & Supplies						
2. Fuel (Note A)	FERC-1, P.110	\$		\$	\$	\$
3. Non-Fuel						
4. Account 158 - Allowances	FERC-1, P.110	\$	%	\$	\$	\$
5. Other - Non-Fuel	Note B	\$	%	\$	\$	\$
6. Total Non-Fuel	L. 4 + L. 5	\$		\$	\$	\$
7. Total Material & Supplies	L. 2 + L. 6	\$		\$	\$	\$

Note A: Accounts 120, 151, 152

Note B: Accounts 154 through 157 and 163 (FERC Form 1, P. 110) Functionalized on Gross Plant from P. A-6, L.4

Cost-of-Service Formulas

A-10

PRODUCTION-RELATED ADMINISTRATIVE & GENERAL EXPENSE ALLOCATION
TWELVE MONTHS ENDED DECEMBER 31, ____

	Account	Reference	System Amount (1)	Allocation Factor % (2)	PRODUCTION		
					Amount (3)	Demand (4)	Energy (5)
1.	ADMINISTRATIVE & GENERAL EXPENSE						
2.	RELATED TO WAGES AND SALARIES						
3.	A&G Salaries	920 FERC-1, P.322	\$				
4.	Office Supplies	921 FERC-1, P.322	\$				
5.	Adm. Expense Transfer - Cr.	922 FERC-1, P.322	\$				
6.	Outside Services	923 FERC-1, P.323	\$				
7.	Injuries & Damages	925 FERC-1, P.323	\$				
8.	Employee Pensions & Benefits	926 FERC-1, P.323	\$				
9.	Franchise Requirements	927 FERC-1, P.323	\$				
10.	Duplicate Charges - Cr.	929 FERC-1, P.323	\$				
11.	Miscellaneous General Expenses	930 FERC-1, P.323	\$				
12.	Rents	931 FERC-1, P.323	\$				
13.	Subtotal	Ls. 3 thru 12	\$	Note A	\$	\$	\$
14.	Property Insurance	924 FERC-1, P.323	\$	Note B	\$	\$	\$
15.	Regulatory Comm. Expenses	928 FERC-1, P.351	\$	Note C	\$	\$	\$
16.	Maintenance of General Plant	935 FERC-1, P.323	\$	Note D	\$	\$	\$
17.	Total	Ls. 13 thru 16	\$		\$	\$	\$

Note A: Allocation factor based on wages and salaries in electric operations and maintenance expenses, excluding administrative and general expenses - See Page A-7.

Note B: From Accounting.

Note C: FERC-1, P.351, Excluding FERC Annual Assessment

Note D: Allocated on Gross Plant % from P.A-7, L.17

Cost-of-Service Formulas

APPENDIX B

A-11

COMPOSITE COST OF CAPITAL

TWELVE MONTHS ENDED DECEMBER 31, ____

	Reference	Total Company Average Capitalization		Cost of Capital	Composite Cost of Capital
		\$ (1)	% (2)	% (3)	(2 x 3) (4)
1.	Long Term Debt	Note A	\$	%	%
2.	Preferred Stock	Note B	\$	%	%
3.	Common Stock	Note C	\$	%	%
4.	Total		\$	%	%

Note A: Line 1, Columns (1) and (3) from Page A-12.

Note B: Line 2, Columns (1) and (3) from Page A-13.

Note C: Line 3, Column (1) from FERC-1, P. 112, Total Proprietary Capital of:	\$
Less: Preferred Stock, P.A-13, L.1(b)	\$
Less: Premium on Preferred Stock, P.A-13, L.1(c)	\$
Common Stock	\$

Cost-of-Service Formulas

A-12

AVERAGE LONG TERM DEBT

TWELVE MONTHS ENDED DECEMBER 31, ____

APPENDIX B

	Average Debt Balance (1)	Interest Booked (2)
1 Total (FERC-1, P. 112 & P. 117 - Account 427)	\$	\$
2 Preferred Stock With Mandatory Redemption (FERC-1, P. 257.2)	\$	\$
3 Account 224 - Pre-83 SNF Disposal Costs (FERC-1, P. 257)	\$	
4 Amortization of Debt Discount and Expense (FERC-1, P. 117, Accounts 428 - 429.1)		\$
5 Total (L.1 - L.2 - L. 3 + L. 4)	\$	\$
6 Embedded Costs = L.5, Col. (2)/Col. (1)		%

Cost-of-Service Formulas
 A-13
 AVERAGE PREFERRED STOCK
 TWELVE MONTHS ENDED DECEMBER 31, ____

APPENDIX B

	Reference	Amount
1. (a) Preferred Stock Dividends	FERC-1, P.118, L.29 (Account 437) & FERC-1, P. 257.2	\$
(b) Preferred Stock Issued	FERC-1, P.112, L.3	\$
(c) Premium on Preferred Stock	FERC-1, P.112, L.6 (Account 2070003)	\$
(d) Preferred Stock with Mandatory Redemption	FERC-1, P.257.2	\$
(e) Total Preferred Stock	L.1 (b) + L.1 (c) + L.1(d)	\$
2. Average Cost Rate	L.1 (a)/L.1 (e)	%

Cost-of-Service Formulas

APPENDIX B

A-14

PRODUCTION O & M EXPENSE

TWELVE MONTHS ENDED DECEMBER 31, _____

	Account No.	Total Company (1)	(Demand) Fixed (2)	Energy	
				Non-Fuel Variable (3)	Fuel (4)
1. Purchased Power (FERC Form-1, P.327)	555	\$	\$	\$	\$
2. System Control of Load Dispatching (FERC Form-1, P.321)	Note D	\$	\$	\$	\$
3. Other Production Expenses (FERC Form-1, P.321)	557	\$	\$	\$	\$
4. Other Production Expenses	Note A	\$	\$	\$	\$
5. Total Production Expense Excluding Fuel Used In Electric Generation above		\$	\$	\$	\$
6. A & G Expense P.A-10, L.17		\$	\$	\$	\$
7. Generator Step Up related O&M	Note B	\$	\$	\$	\$
8. Total O & M Excluding Fuel		\$	\$	\$	\$
9. Fuel - Account 501 (FERC Form-1, P.320)	501	\$			\$
10. Less: Fuel Handling		\$			\$
11. Less: Sale of Fly Ash (Revenue & Expense)		\$			\$
12. Plus: Account 518	518	\$			\$
13. Plus: Account 547	547	\$			\$
14. Less: Pre 4/7/83 Spent Nuclear Fuel	Note C	\$			\$
15. Plus: Pre 4/7/83 Spent Nuclear Fuel - Study		\$			\$
16. Total Fuel		\$	\$	\$	\$
17. Total - Production O&M	L.5 + L.16	\$	\$	\$	\$
18. Less: Off-System Sales Revenues (P.A-4, L.1)					\$
19. Plus: Company Share of Margins (P.A-4, L.2 - L.4)					\$
20. Total Fuel Costs					\$
21. Plus: Gains/(Losses) on Disp. of Allowances	A-14(a)	\$			
22. Plus: Nuclear Decomm Expense - ARO	A-14(a)	\$			
23. Less: Nuclear Decommissioning Adjustment	A-14(a)	\$			
24. Less: Spent Nuclear Fuel Adjustment	L.15 - L.14	\$			
25. Check Total - Perbooks Production O&M	P.321	\$			

Note A: Classified into Fixed and Variable Components in accordance with P.A-14(a).

Note B: FERC-1, P.321, (Accounts 562, 569 & 570) allocated on Gross Plant ratio - GSU to total.

Note C: Accounts 5180004 & 5180005

Note D: Pursuant to FERC Order 668, expenses that were booked in Account 556 are now being recorded in the following accounts:

561.4 Scheduling, System Control and Dispatch Services (FERC Form-1, P. 321)

561.8 Reliability, Planning and Standards Development Services (FERC Form-1, P. 321)

575.7 Market Facilitation, Monitoring and Compliance Services (FERC Form-1, P. 322)

Cost-of-Service Formulas

APPENDIX B

A-14(a)

CLASSIFICATION OF FIXED AND VARIABLE PRODUCTION EXPENSES
TWELVE MONTHS ENDED DECEMBER 31, ____

Line No.	Description	FERC Account No.	Demand Related	Energy Related
1	Operation supervision and engineering	500	\$	-
2	Fuel	501	-	XX
3	Fuel Handling	5010003	-	\$
4	Sale of Fly Ash (Revenue & Expense)	5010012	-	\$
5	Steam expenses	502	\$	-
6	Steam from other sources	503	-	\$
7	Steam transferred-Cr.	504	-	\$
8	Electric expenses	505	\$	-
9	Miscellaneous steam power expenses	506	\$	-
10	Rents	507	\$	-
11	Allowances	509	-	\$
12	Less: Gains from Disposition of Allowances	411.8	-	\$
13	Plus: Losses from Disposition of Allowances	411.9	-	\$
14	Maintenance supervision and engineering	510	-	\$
15	Maintenance of structures	511	\$	-
16	Maintenance of boiler plant	512	-	\$
17	Maintenance of electric plant	513	-	\$
18	Maintenance of miscellaneous steam plant	514	\$	-
19	Total steam power generation expenses		\$	\$
20	Operation supervision and engineering	517	\$	-
21	Coolants and Water	519	\$	-
22	Steam expenses	520	\$	-
23	Steam from other sources	521	\$	-
24	Steam transferred-Cr.	522	\$	-
25	Electric expenses	523	\$	-
26	Miscellaneous nuclear power expenses	524	\$	-
27	Less: Nuclear Decomm Expense - ARO	524.0009	\$	-
28	Rents	525	\$	-
29	Total nuclear power generation operation expenses		\$	\$
30	Maintenance supervision and engineering	528	-	\$
31	Maintenance of structures	529	\$	-
32	Maintenance of reactor plant equipment	530	-	\$
33	Maintenance of electric plant	531	-	\$
34	Maintenance of miscellaneous nuclear plant	532	-	\$
35	Total nuclear power generation maintenance expenses		\$	\$
36	Less: Nuclear Decommissioning	524.0008	\$	-
37	Plus: Nuclear Decommissioning - Study		\$	-
38	Operation supervision and engineering	535	\$	-
39	Water for power	536	\$	-
40	Hydraulic expenses	537	\$	-
41	Electric expenses	538	\$	-
42	Misc. hydraulic power generation expenses	539	\$	-
43	Rents	540	\$	-
44	Maintenance supervision and engineering	541	\$	-
45	Maintenance of structures	542	\$	-
46	Maintenance of reservoirs, dams and waterways	543	\$	-
47	Maintenance of electric plant	544	-	\$
48	Maintenance of miscellaneous hydraulic plant	545	\$	-
49	Total hydraulic power generation expenses		\$	\$
50	Operation supervision and engineering	546	\$	-
51	Fuel	547	-	XX
52	Generation expenses	548	\$	-
53	Miscellaneous other power generation expenses	549	\$	-
54	Rents	550	\$	-
55	Maintenance supervision and engineering	551	\$	-
56	Maintenance of structures	552	\$	-
57	Maintenance of generation and electric plant	553	\$	-
58	Maintenance of misc. other power generation plant	554	\$	-
59	Total other power generation expenses		\$	\$
60	Purchased power	555	XX	XX
61	System control and load dispatching	556	XX	-
62	Other expenses	557	XX	-
63	TOTAL OTHER PRODUCTION EXPENSES	\$	\$	\$

Cost-of-Service Formulas

APPENDIX B

A-15

PRODUCTION-RELATED DEPRECIATION EXPENSE
TWELVE MONTHS ENDED DECEMBER 31, ____

			Production Related (1)	Demand (2)	Energy (3)
1.	Steam Production Plant	Note A	\$	\$	\$
2.	Nuclear Production Plant	Note A	\$	\$	\$
3.	Hydro Production Plant Conventional	Note A	\$	\$	\$
4.	Pump Storage	Note A	\$	\$	\$
5.	Other Production	Note A	\$	\$	\$
6.	Production Subtotal		\$	\$	\$
7.	Less: ARO-Related Depreciation (403.1)	Note A	\$	\$	\$
8.	Plus: Non-Nuclear Depr. & Accretion	Note B	\$	\$	\$
9.	Adjustment to Depreciation Rate	Note B	\$	\$	\$
10.	Production-Related Gen. & Int. Plant	Note C	\$	\$	\$
11.	Adjustment to Depreciation Rate	Note B, C	\$	\$	\$
12.	GSU-related Depreciation Expense	Note B	\$	\$	\$
13.	Adjustment to Depreciation Rate	Note B	\$	\$	\$
14.	Total Production		\$	\$	\$

Note A: Lines 1 through 5 are Depreciation Expense reported on page 336 of the FERC Form No. 1 for Accounts 403, 404 and 405 (excluding 403.1).

Note B: From Accounting.

Note C:	General and Intangible Plant Depreciation Expense	\$	FERC-1, p. 336, Col. (f)
	Production-Related %	%	Page A-7, L. 17, Col.(3)
	Gen Plant Depr. Exp. - Prod. Related	\$	
	Adjustment to General Plant Depreciation Expense	\$	
	Production-Related %	%	Page A-7, L. 17, Col.(3)
	Gen Plant Depr. Exp. - Prod. Related	\$	

Cost-of-Service Formulas

APPENDIX B

A-16

PRODUCTION-RELATED TAXES OTHER THAN INCOME TAXES
 TWELVE MONTHS ENDED DECEMBER 31, ____

	REFERENCE	SYSTEM AMOUNT (1)	%	PRODUCTION AMOUNT (2)
TAXES RELATED TO PRODUCTION WAGES AND SALARIES				
1.	State Unemployment	Note A	\$	
2.	Federal Social Security & Unemployment	Note A	\$	
3.	Total Taxes Related to Wages & Salaries		\$	Note B
4.	Real and Personal Property Tax	Note A	\$	
5.	Franchise Tax	Note A	\$	
6.	Total Taxes Related to Production Plant		\$	Note C
7.	Total Taxes Other Than Income Taxes	L. 3 + L. 6	\$	\$
8.	Misc. & State Commission Assessments		\$	
9.	Check Total - Taxes Other	FERC-1 P.114	\$	

Note A: Taxes other than Income Taxes will be those reported in FERC-1, pages 262 & 263 as listed above.

Note B: Allocation factor based on wages and salaries in electric operations and maintenance expenses, excluding administrative and general expenses - See Page A-7.

%

Note C: Allocation factor based on gross plant in service - See Page A-6.

%

Cost-of-Service Formulas

APPENDIX B

A-17

PRODUCTION-RELATED INCOME TAX
 TWELVE MONTHS ENDED DECEMBER 31, _____

	Reference	Amount (1)	Demand (2)	Energy (3)
1. Return on Investment	P. A-5, L.18	\$	\$	\$
2. Interest	P. A-5, L.16 x P. A-11, L.1, Col(4)	\$	\$	\$
3. Balance for Equity Earnings	L.1 - L.2	\$	\$	\$
4. Combined Income Tax Factor	P. A-18, L.17		#	#
5. Income Tax	L.4 x L.3	\$	\$	\$

Cost-of-Service Formulas

APPENDIX B

A-18

COMPUTATION OF EFFECTIVE INCOME TAX RATE
TWELVE MONTHS ENDED DECEMBER 31, ____

	REFERENCE	AMOUNT
1. Net Income before Extraordinary	FERC-1, P. 117, L. 67	\$
2. Less: Allowance for Funds Used During Construction (AFUDC)	FERC-1, P. 117, Acct 419.1	\$
3. Adjusted Net Income	Line 1 - Line 2	\$
Income Taxes:		
4. Federal	FERC-1.P. 114, Acct 409.1	\$
5. Other	FERC-1.P. 114, Acct 409.1	\$
6. Provision for Deferred Inc. Taxes	FERC-1.P. 114, Acct 410.1	\$
7. Provision for Def. Inc. Taxes-Cr.	FERC-1.P. 114, Acct 411.1	\$
8. Investment Tax Cr. Adjustment Net	FERC-1.P. 114, Acct 411.4	\$
Taxes Applicable to Other Income and Deductions:		
9. Income Taxes - Federal	FERC-1 P.117, Acct 409.2	\$
10. Income Taxes - Other	FERC-1 P.117, Acct 409.2	\$
11. Provision for Deferred Inc. Taxes	FERC-1 P.117, Acct 410.2	\$
12. Provision for Deferred Inc. Taxes - credit	FERC-1 P.117, Acct 411.2	\$
13. Investment Tax Credit Adj. - Net	FERC-1 P.117, Acct 411.5	\$
14. Total Income Taxes	Lines 4 thru 13	\$
15. Pretax Earnings Base	Line 3 + Line 14	\$
16. Effective Income Tax Rate	Line 14 / Line 15	%
17. Combined Tax Factor	Line 16 / (100 - Line 16)	#

APPENDIX C

**Assignment of PJM Charges and Credits
for Full Requirements Electric Service**

PJM Operating Agreement

Schedules	Description	Company	Customer
1-3.2.1 & 3.3.1	Spot Market Energy, including day-ahead and balancing charges, credits and reconciliations	x	
1-3.2.4, 3.4.1 & 5.2	Transmission Congestion, including day-ahead and balancing charges, credits and reconciliations	x	
1-3.2.5 & 3.4.2	Transmission Losses, including day-ahead and balancing charges, credits and reconciliations	x	
1-3.2.2, 3.2.2A, 3.3.2 & 3.3.2A	Regulation charges, credits and reconciliations	x	
1-3.2.3A & 3.3.5	Spinning Reserves charges, credits and reconciliations	x	
1-3.2.3 & 3.3.3	Operating Reserves, including day-ahead, balancing and synchronous condensing charges, credits and reconciliations	x	
	Synchronous Condensing - included under Operating Reserves, above	x	
1-3.2.3B	Reactive Services charges, credits and reconciliations	x	
11-6.7	Capacity Credit Market charges, credits and reconciliations	x	
1-7.3.8	FTR Auction charges, credits and reconciliations	x	
1-7.4	Auction Revenue Rights credits	x	
1-3.2.6, 3.3.4, 3.5.1 & 4.3	Emergency Energy charges, credits and reconciliations	x	
1-3.6	Meter Correction	x	

**Assignment of PJM Charges and Credits
for Full Requirements Electric Service**

PJM OATT

Schedules	Description	Company	Customer
1, 9 & 10	Scheduling, System Control & Dispatch Services <i>PJM charges and reconciliation for control area administration, FTR administration, market support, regulation and frequency response administration, capacity and resource obligation administration, FERC annual charge recovery, and NERC and RFC reliability charges.</i>	x	
1A	Scheduling, System Control & Dispatch Services <i>Transmission Owner charges, credits and reconciliations</i>		x
2	Reactive Supply & Voltage Control from Generation Sources charges, credits and reconciliations	x	
3	Regulation and Frequency Response - billed under PJM Operating Agreement, above	x	
4	Energy Imbalance - billed under PJM Operating Agreement, above	x	
5	Operating Reserve - Spinning Reserve Service - billed under PJM Operating Agreement, above	x	
6	Operating Reserve - Supplemental Reserve Service - billed under PJM Operating Agreement, above	x	
6A	Black Start Service charges and credits	x	
7	NITS Service charges and credits, including Contract Demand Reservation Service		x
7	RTO Start-Up Costs		x
7& 8	Firm and Non-Firm Point-to-Point Transmission Service		x
12	Transmission Enhancement Charges		x
13	Expansion Cost Recovery charges and credits	x	
Attachment R	PJM/MISO and Intra-PJM SECA charges		x
Attachment X	PJM/MISO and Intra-PJM SECA credits	x	
ILDSA	Other Supporting Facilities		x
	AEP Inadvertent	x	
	Energy Imbalance	x	

CITY OF SOUTH HAVEN
VAN BUREN AND ALLEGAN COUNTIES, MICHIGAN

RESOLUTION NO. 2015-04

A RESOLUTION AMENDING THE COST-BASED FORMULA RATE
AGREEMENT FOR FULL REQUIREMENTS ELECTRIC SERVICE
BY AND BETWEEN INDIANA MICHIGAN POWER COMPANY
AND THE CITY OF SOUTH HAVEN

Minutes of a regular meeting of the City Council of the City of South Haven, Van Buren and Allegan Counties, Michigan, held in the City Hall, 539 Phoenix Street, South Haven, Michigan 49090 on January 19, 2015 at 7:00 p.m. local time.

PRESENT: _____

ABSENT: _____

The following preamble and resolution was offered by Member _____ and supported by Member _____.

WHEREAS, on May 24, 2006, the City of South Haven entered into an Agreement with Indiana Michigan Power Company for Full Requirements Electric Service; and

WHEREAS, the Indiana and Michigan Municipal Distributors Association has negotiated a proposed Amendment to the Agreement on behalf of the City of South Haven and its other 10 members; and,

WHEREAS, in order to amend the terms of the Cost-Based Formula Rate Agreement for Full Requirements Electric Service, Indiana Michigan Power Company must file notice with the Federal Energy Regulatory Commission to terminate the existing agreement; and

WHEREAS, upon termination of the existing Cost-Based Formula Rate Agreement for Full Requirements Electric Service, Indiana Michigan Power Company will immediately begin serving the City under the Amended and Restated Cost-Based Formula Rate Agreement for Full Requirements Electric Service;

NOW, THEREFORE BE IT RESOLVED that the City of South Haven hereby approves the Amended and Restated Cost-Based Formula Rate Agreement for Full Requirements Electric Service with Indiana Michigan Power Company and authorizes the Mayor to execute the Amended Agreement on behalf of the City.

BE IT FURTHER RESOLVED that the City of South Haven hereby authorizes Indiana Michigan Power Company to file appropriate documentation with the Federal Energy Regulatory Commission terminating the existing Cost-Based Formula Rate Agreement for Full Requirements Electric Service (FERC Rate Schedule 108) dated May 24, 2006.

BE IT FURTHER RESOLVED, that this resolution shall take effect upon passage by the City Council.

RECORD OF VOTE:

Yeas: _____

Nays: _____

RESOLUTION DECLARED ADOPTED

Robert G. Burr, Mayor

CERTIFICATION

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council at a meeting held on the 19th day of January, 2015, at which meeting a quorum was present, and that this resolution was ordered to take immediate effect. Public notice of said meeting was give pursuant to and in compliance with the Open Meetings Act, Act No. 167 of the Public Acts of Michigan 1976 (MCL 15.261 *et seq*).

Amanda Morgan, City Clerk



Agenda Item 7

Animal Control Ordinance Amendment

Background Information:

The City Council will be asked to consider two ordinance amendments related to animal ownership and animal control. The ordinances reflect recommendations made by the city's Planning Commission.

Over the past year, the city's Planning Commission has reviewed the city's adopted animal control ordinances, with focus on the sections related to dogs. A subcommittee of the Planning Commission was formed to review the ordinance language, and sought to determine if the language was clear and enforceable. The committee sought input for the South Haven Police Department. After review, the Planning Commission made a series of recommended changes to the ordinances. Attached is a summary of the Planning Commission's findings.

The first proposed change to an ordinance would seek to amend Chapter 6 of the Code of Ordinances to more clearly define the public areas where animals are allowed while under reasonable control. As currently written, Section 6-2 prohibits allowing animals to be "in any public park or recreation area, public building, or *any building or area which is open to the general public.*" Literally construed, the italicized language makes it unlawful to walk a dog on a City street or sidewalk, or even to take a dog to a designated dog park. The proposed ordinance would narrow the list of places where animals are generally prohibited to include only public parks, public beaches, and public buildings. The ordinance also authorizes the City or private property owners to prohibit animals in other areas by posting signs to that effect. The signage may specify particular animals that are prohibited, or particular times of day when the prohibition applies. The ordinance also repeals unnecessary and redundant provisions in Section 6-3, which pertains to animals at large and dogs in heat.

The second ordinance amends Section 1-16 to increase the fines for first and second violations of Chapter 6 that are designated as municipal civil infractions. The fine for first offenses would be raised from \$50 to \$100, and the fine for second offenses would be raised from \$100 to \$150. The City Charter requires that when a code section is amended, the entire section must be restated in full in the amending ordinance. To eliminate the need for readopting all of Section 1-16 whenever a change is made to the fee schedule, the proposed ordinance moves the fee schedule to a newly created Section 1-16a.

Recommendation:

The City Council should consider motions to introduce amendments to the following sections of the city's Code of Ordinances:

1. Chapter 1 of the Code of Ordinances, Sections 1-16.

2. Chapter 6 of the Code of Ordinances, Sections 6-2 and 6-3.

Support Material:

Staff Report RE: Planning Commission Recommendations

DRAFT Ordinance Amendment, Chapter 1 of the Code of Ordinances, Sections 1-16

DRAFT Ordinance Amendment, Chapter 6 of the Code of Ordinances, Sections 6-2 and 6-3



City of South Haven

City Hall • 539 Phoenix Street • South Haven, Michigan 49090-1499
Telephone (269) 637-0760 • Fax (269) 637-5319

MEMORANDUM

To: Brian Dissette, City Manager
From: Linda Anderson, Zoning Administrator
Re: Dog Ordinances
Date: December 11, 2014

On July 30, 2014, a subcommittee of the planning commission met to discuss the city's animal control ordinance, most specifically the sections related to dogs (Chapter 6, Article II, Dogs). This meeting was held in response to complaints by certain citizens that the regulations as currently adopted did not provide adequate protection for residents. The subcommittee asked that the deputy police chief also attend the meeting to discuss her experiences enforcing the current code. The group began the meeting with a review of existing city codes related to animals. A review of zoning ordinance and city codes follows:

The zoning ordinance does not include penalties for allowing a dog to run free or to exhibit threatening behavior. It does limit the number of dogs which may be owned outside of a licensed kennel as five (5).

Sec. 201.11. Kennel, Commercial: *Any lot or premise on which five (5) or more dogs, cats, or other household pets four (4) months of age or older, are either permanently or temporarily boarded for remuneration, breeding, training, transfer or for sale purposes.*

The city code of ordinances includes detailed explanation for what is expected of dog owners in the city. The code states that a dog owner shall at all times have reasonable control over their dog(s). This reasonable control is defined as:

Reasonable control of a dog means restraining the animal on a suitable leash in all places other than the property of the owner. A dog need not be leashed when on the property of the owner so long as the animal is kept under the oral control of the owner. Reasonable control of any animal other than a dog shall mean restraining such animal on a suitable leash in all places including the property of the owner. Reasonable control of fowls shall mean a cage, pen, fenced area or other enclosure which confines the fowls to such enclosure. Animals which are pen, fenced area, or other enclosure, or which are confined in a closed motor vehicle or shipping receptacle, shall be presumed to be under reasonable control.

It is also prohibited for dog owners to allow their pets to run loose or to damage or trespass on properties not belonging to the owner.

Sec. 6-3. *It shall be unlawful for an owner of an animal to permit or allow the animal to run at-large in any public street, lane, alley, sidewalk, or other public place or area set apart for use by pedestrians or for vehicular traffic or parking.*

Sec. 6-5. *It shall be unlawful for a person who owns, harbors or keeps, or who is the custodian of an animal to permit or allow such animal to destroy or damage, or to trespass upon, the property of another person.*

Vicious and dangerous dogs are not specifically prohibited in the city but the ordinance states that such animals are not allowed to roam loose or attack another person or animal.

Sec. 6-32. *Every fierce, dangerous or vicious dog, or bitch while in heat, and every dog with a contagious disease, when running at large, is a public nuisance. It shall be the duty of the county animal warden or any peace officer to take up and confine any such dog, or, if necessary, to kill such dog at once, whether or not the same may be licensed. Every dog shall be deemed fierce, dangerous or vicious that shall run after, chase, or bite or attempt to bite any person.*

Sec. 6-36. *No person shall keep any dog known to be vicious and liable to attack and injure human beings unless such dog is securely kept so as to prevent injury to any person.*

Discussion was held regarding breed specific ordinances and all attending were in agreement that such ordinances are often deemed unenforceable and largely held to be illegal. The deputy police chief stated that she has compiled some case summaries showing how that type of ordinance is being perceived as discriminatory against dog owners and showing how courts have handled challenges to the ordinances. Communities adopting this type of ordinance are often required to have the DNA tested of dogs suspected to be violent to determine the specific breed of the dog and whether that breed is outlawed.

The deputy police chief talked about the processes the police have in place for issues like dog bites. She said that serious injuries and attacks by dogs in South Haven are extremely rare. The members of the subcommittee discussed a recent animal threat and all believed the ordinance worked well in addressing that particular incident. There are also a group of police officers in town, including the deputy chief, who will be taking U.S. Humane Society training so they can assist the humane society when they are overburdened with animal complaints.

The idea offered by a citizen that dog owners be required to build fences around their property was dismissed as being too costly and likely not legally defensible. It was also noted that some dogs would easily dig their way out of a fence.

Subcommittee members agreed that the ordinance as written is adequate and may need just minor adjustments. They also thought the fines should be increased to provide further incentive for pet owners. The specific changes recommended by the subcommittee follow:

Section 6-2b reads, "It shall be unlawful for a person who owns, harbors or keeps, or who has custody of an animal to permit or allow the animal to enter or remain in any public park or recreation area, public building, or any building or area which is open to the general public. That an animal may otherwise be under reasonable control shall not constitute a defense to prosecution under this subsection" (This

section should have some clarifying language added to allow dogs in public places when on a leash. The subcommittee members believe this is the intent of the section but the wording is confusing.)

Section 6-3b, which reads “(b) It shall be unlawful for a person who owns, harbors or keeps, or who has custody of a female animal in heat to permit such female animal to go outside a dwelling, building, cage, pen, fenced area or other enclosure unless effectively held on a leash”. (Since police officers are not usually medically trained to know when an animal is in heat by sight only, this section may be hard to enforce. Further, since other sections of the code prohibit animals from running loose, this section may not be necessary.)

Part II, Chapter 1, Section 1-16, Municipal Civil Infractions, sets the fine for a first offense of the animal control ordinance at \$50.00. The subcommittee recommends increasing the fine for first offense to \$100.00.

Please let staff know if further information is needed.

**CITY OF SOUTH HAVEN
VAN BUREN COUNTY, MICHIGAN**

ORDINANCE NO. _____

**AN ORDINANCE TO AMEND SECTION 1-16 AND CREATE A NEW SECTION 1-16a
OF THE CODE OF ORDINANCES, CITY OF SOUTH HAVEN, MICHIGAN TO
PROVIDE FOR AND SET FINES FOR MUNICIPAL INFRACTIONS**

The City of South Haven Ordains:

Section 1. Amendment. Chapter 1, Section 1-16 of the Code of Ordinances, City of South Haven, Michigan, is amended to read as follows:

Sec. 1-16. Municipal civil infractions.

- (a) Definitions. For purposes of their use in this section, the following words and terms are herein defined. Any word or term not herein defined shall be considered to be defined in accordance with its common or standard definitions.
- (1) *Act* means Act No. 236 of the Public Acts of 1961, as amended.
 - (2) *Authorized city official* means a police officer or other personnel of the city authorized by ordinance to issue municipal civil infraction citations or municipal civil infraction violation notices.
 - (3) *Bureau* means the City of South Haven Municipal Ordinance Violations Bureau as established by this section.
 - (4) *City ordinance* means the City of South Haven Code of Ordinances and all other ordinances adopted by the City of South Haven.
 - (5) *Municipal civil infraction* means an act or omission that is prohibited by ordinance of the city, but which is not a crime under this section or other ordinances of the city, and for which civil sanctions, including without limitation, fines, damages, expenses and costs, may be ordered, as authorized by Chapter 87 of Act No. 236 of the Public Acts of 1961, as amended, when designated as a municipal civil infraction by city ordinance. A municipal civil infraction is not a lesser included offense of a violation of the ordinances of the city which is a criminal offense.
 - (6) *Municipal civil infraction action* means a civil action in which the defendant is alleged to be responsible for a municipal civil infraction.
 - (7) *Municipal civil infraction citation* means a written complaint or notice prepared by an authorized city official, directing a person to appear in a court of law regarding the occurrence or existence of a municipal civil infraction violation by the person cited.
 - (8) *Municipal civil infraction determination* means a determination that a defendant is responsible for a municipal civil infraction by one of the following: (i) an admission of responsibility for the municipal civil infraction, (ii) an admission of responsibility for the municipal civil infraction "with explanation," (iii) a preponderance of the evidence at an informal hearing or formal hearing, (iv) a default judgment for failing to appear as directed by citation or other notice.
 - (9) *Municipal civil infraction violation notice* means a written notice prepared by an authorized city official, directing a person to appear at the City of South Haven Municipal Ordinance Violations Bureau and to pay the fine and costs, if any, prescribed for the violation by the schedule of civil fines adopted by the city, as authorized under Sections 8396 and 8707(6) of the Act.
- (b) Municipal civil infraction action; commencement. A municipal civil infraction may be commenced upon the issuance by an authorized city official of:
- (1) A municipal civil infraction citation directing the alleged violator to appear in court; or
 - (2) A municipal civil infraction violation notice directing the alleged violator to appear at the City of South Haven Municipal Ordinance Violations Bureau.

(c) Municipal civil infraction citations; issuance and service. Municipal civil infraction citations shall be issued and served by authorized city officials as follows:

- (1) The time for appearance specified on a citation shall be within a reasonable time after the citation is issued.
- (2) The place for appearance specified on the citation shall be the district court unless the person cited for a municipal civil infraction is under the age of 17 at the time of the occurrence of the violation, in which case the matter shall be referred to the probate court.
- (3) Each citation shall be numbered consecutively, shall be in the form approved by the state court administrator and shall consist of the following parts:
 - a. The original, which is a complaint and notice to appear, shall be filed with the district court;
 - b. The first copy shall be retained by the city and/or the ordinance enforcing agency;
 - c. The second copy shall be issued to the alleged violator if the violation is a municipal civil infraction; and
 - d. The third copy shall be issued to the alleged violator if the violation is a misdemeanor.
- (4) A citation for a municipal civil infraction signed by an authorized city official shall be treated as made under oath if the violation alleged in the citation occurred in the presence of the official signing the complaint and if the citation contains the following statement immediately above the date and signature of the official: "I declare under the penalties of perjury that the statements above are true to the best of my information, knowledge, and belief."
- (5) An authorized city official who witnesses a person commit a municipal civil infraction shall prepare and subscribe, as soon as possible and as completely as possible, an original and required copies of a citation.
- (6) An authorized city official may issue a citation to a person if:
 - a. Based upon investigation, the official has reasonable cause to believe that the person is responsible for a municipal civil infraction; or
 - b. Based upon investigation of a complaint by someone who allegedly witnessed the person violate an ordinance, a violation of which is a municipal civil infraction, the official has reasonable cause to believe that the person is responsible for an infraction and if the prosecuting attorney or city attorney approves in writing the issuance of the citation.
- (7) Municipal civil infraction citations shall be served by an authorized city official as follows:
 - a. Except as provided in subsection (c)(7)b. below, an authorized city official shall personally serve a copy of the citation upon the alleged violator.
 - b. If the municipal civil infraction action involves the use or occupancy of land, a building or other structure, a copy of the municipal civil infraction citation does not need to be personally served upon the alleged violator, but may be served upon the owner or occupant of the land, building or structure by posting the copy on the land or attaching the copy to the building or structure. In addition, a copy of the citation shall be sent by first-class mail to the owner of the land, building, or structure at the owner's last known address. A citation served in accordance with this subsection for a violation involving the use or occupancy of land or a building or other structure shall be processed in the same manner as a citation served personally upon a defendant.

(d) Municipal civil infraction citations; contents.

- (1) A municipal civil infraction citation shall contain the name of the city and the name and the address of the alleged violator, the municipal civil infraction alleged, the place where the alleged violator shall appear in court, the telephone number of the court, and the time at or by which the appearance shall be made.

- (2) A municipal civil infraction citation shall inform the alleged violator that he or she may do one of the following:
 - a. Admit responsibility for the municipal civil infraction by mail, in person, or by representation, at or by the time specified for appearance.
 - b. Admit responsibility for the municipal civil infraction “with explanation” by mail, in person, or by representation, by the time specified for appearance.
 - c. Deny responsibility for the municipal civil infraction by doing either of the following:
 1. Appearing in person for an informal hearing before a judge or district court magistrate, without the opportunity of being represented by an attorney, unless a formal hearing before a judge is requested by the city.
 2. Appearing in court for a formal hearing before a judge, with the opportunity of being represented by an attorney. A party requesting a formal hearing shall notify the court, the city and any other named party or parties of the request at least ten days before the hearing date, which request may be made in person, by representation, by mail or by telephone.
- (3) The citation shall also inform the alleged violator of all of the following:
 - a. That if the alleged violator desires to admit responsibility “with explanation” in person or by representation, the alleged violator must apply to the court in person, by mail, by telephone, or by representation within the time specified for appearance and obtain a scheduled date and time for an appearance.
 - b. That if the alleged violator desires to deny responsibility, the alleged violator must apply to the court in person, by mail, by telephone, or by representation within the time specified to appear for a hearing, unless a hearing date is specified on the citation.
 - c. That a hearing shall be an informal hearing unless a formal hearing is requested by the alleged violator or the city.
 - d. That at an informal hearing the alleged violator must appear in person before a judge or district court magistrate, without the opportunity of being represented by an attorney.
 - e. That at a formal hearing the alleged violator must appear in person before a judge with the opportunity of being represented by an attorney.
- (4) The citation shall contain a notice in boldfaced type that the failure of the alleged violator to appear within the time specified in the citation or at the time scheduled for a hearing or appearance is a misdemeanor and will result in entry of a default judgment against the alleged violator on the municipal civil infraction. Return of the citation with an admission of responsibility and with full payment of applicable civil fines and costs, return of citation with an admission of responsibility with explanation, and with full payment of applicable civil fines and costs, or timely application to the court for a scheduled date and time for an appearance under subsection (d)(3)a. or a hearing under subsection (d)(3)b. constitutes a timely appearance.
- (5) If an authorized city official issues a citation as set forth in this section, the court may accept an admission with explanation or an admission or denial of responsibility without the necessity of a sworn complaint. If the defendant denies responsibility for the municipal civil infraction, further proceedings shall not be held until a sworn complaint is filed with the court. A warrant for arrest for failure to appear on the municipal civil infraction citation shall not be issued until a sworn complaint relative to the municipal civil infraction is filed with the court.

(e) Municipal ordinance violations bureau.

- (1) The city hereby establishes a municipal ordinance violations bureau (the bureau) as authorized under Section 8396 of the Act to accept admissions of responsibility for municipal civil infractions in response to municipal civil infraction violation notices issued and served by authorized city officials, and to collect and retain civil fines and costs as prescribed by ordinance. The expenses of operating the bureau shall be borne by the city, and the personnel of the bureau shall be city employees.
- (2) The bureau shall be located at South Haven City Hall, and shall be under the supervision and control of the city treasurer. The city treasurer, subject to the approval of the city council, shall adopt rules and regulations for the operation of the bureau and appoint any necessary qualified city employees to administer the bureau.
- (3) The bureau may dispose only of municipal civil infraction violations for which a fine has been scheduled and for which a municipal civil infraction violation notice (as opposed to a citation) has been issued. The fact that a fine has been scheduled for a particular violation shall not entitle any person to dispose of the violation at the bureau. Nothing in this section shall prevent or restrict the city from issuing a municipal civil infraction citation for any violation or from prosecuting any violation in a court of competent jurisdiction. No person shall be required to dispose of a municipal civil infraction violation at the bureau and may have the violation processed before a court of appropriate jurisdiction. The unwillingness of any person to dispose of any violation at the bureau shall not prejudice the person or in any way diminish the person's rights, privileges and protection accorded by law.
- (4) The scope of the bureau's authority shall be limited to accepting admissions of responsibility for municipal civil infractions and collecting and retaining civil fines and costs as a result of those admissions. The bureau shall not accept payment of a fine from any person who denies having committed the offense or who admits responsibility only with explanation, and in no event shall the bureau determine, or attempt to determine, the truth or falsity of any fact or matter relating to an alleged violation.

(f) Municipal civil infraction notices; contents, issuance and service.

- (1) An authorized city official may issue and serve a municipal civil infraction violation notice instead of a citation under the same circumstances and upon the same persons as provided for service of municipal civil infraction citations. In addition to any other information required by this section or other ordinances, the violation shall indicate the time by which the alleged violator must appear at the bureau, the methods by which an appearance may be made, the address and telephone number of the bureau, the hours during which the bureau is open, the amount of the fine scheduled for the alleged violation, and the consequences for failure to appear and pay the required fine within the required time.
- (2) An alleged violator receiving a municipal civil infraction violation notice shall appear at the bureau and pay the specified fine and costs at or by the time specified for appearance in the municipal civil infraction violation notice. An appearance may be made by mail, in person, or by representation.
- (3) If an authorized city official issues and serves a municipal ordinance violation notice and if an admission of responsibility is not made and the civil fine and if any costs, prescribed by the schedule of fines for the violation are not paid at the bureau, a municipal civil infraction citation may be filed with the district court and a copy of the citation may be served by first-class mail upon the alleged violator at the alleged violator's last known address. The citation filed with the court does not need to comply in all particulars with the requirements for citations as provided by Sections 8705 and 8709 of the Act, but shall consist of a sworn complaint containing the allegations stated in the municipal ordinance violation notice and shall fairly inform the alleged violator how to respond to the citation.

(g) Municipal civil infractions; sanctions, continuing violations, injunctive relief:

(1) The sanction for a violation which is a municipal civil infraction shall be a civil fine in the amount as provided for herein, or established by city ordinance, plus any costs, damages, expenses, and other sanctions, as authorized under Chapter 87 of Act No. 236 of the Public Acts of 1961, as amended, and other applicable laws.

a. Unless otherwise specifically provided for a particular municipal civil infraction violation in Section 1-16a, or by city ordinance, the civil fine for a violation shall be \$50.00, plus costs and other sanctions, for each infraction.

b. Increased civil fines may be imposed for repeated violations by a person of any requirement or provision of city ordinance. As used in this section, "repeat offense" means a second (or any subsequent) municipal civil infraction violation of the same requirement or provision (i) committed by a person within any 12-month period (unless some other period is specifically provided by ordinance), and (ii) for which the person admits responsibility or is determined to be responsible. Unless otherwise specifically provided for in Section 1-16a, or by city ordinance for a particular municipal civil infraction violation, the increased fine for a repeat offense should be as follows:

1. The fine for any offense which is a first repeat offense shall be \$250.00, plus costs.

2. The fine for any offense which is a second repeat offense or any subsequent repeat offense shall be \$500.00, plus costs.

(2) A "violation" includes any act which is prohibited or made or declared to be unlawful by city ordinance and, any omission or failure to act where the act is required by city ordinance.

(3) Each day on which any violation of a city ordinance continues constitutes a separate violation and shall be subject to penalties and/or sanctions as a separate violation. Where a particular city ordinance requires notice of a violation or order by city official to be given, each day on which any violation continues after such notice or order is given constitutes a separate violation and will be subject to penalties and/or sanctions as a separate violation.

(4) In addition to any remedies available at law, the city may bring an action for an injunction or other process against a person to restrain, prevent or abate any violation of city ordinance.

(h) Authorized city official. The chief of police and all other sworn police officers, the chief of the fire department, assistant fire chief, fire marshal and shift supervisor, building inspector, code enforcement official, zoning administrator, harbor master, city manager, public works director and any other individuals who may from time to time be appointed by resolution of the city council, are hereby designated as the authorized city officials to issue municipal civil infraction citations (directing alleged violators to appear at the City of South Haven Municipal Ordinance Violations Bureau), for violations which fall within respective jurisdictions, as provided by this section.

Section 2. Addition. Chapter 1, Section 1-16a, entitled "Fine Schedule," is added to the Code of Ordinances, City of South Haven, Michigan, shall read as follows:

Sec. 1-16a. Fine Schedule.

The civil fine for the following specific violations, which shall be calculated in addition to other appropriate costs and sanctions, are:

Section	<u>First offense</u>	<u>Second offense</u>	<u>Third offense</u>	<u>Fourth offense</u>
1. 6-2	\$100.00	\$150.00	\$250.00	\$500.00
2. 6-4	\$100.00	\$150.00	\$250.00	\$500.00
3. 6-31	\$100.00	\$150.00	\$250.00	\$500.00
4. 10-53	\$50.00	\$250.00	\$500.00	---
5. 10-146.5	\$50.00	\$250.00	\$500.00	---
6. 10-173	\$50.00	\$250.00	\$500.00	---

7. 18-3	\$50.00	\$100.00	\$250.00	\$500.00
8. 22-37	\$50.00	\$100.00	\$250.00	\$500.00
9. 30-95	\$50.00	\$100.00	\$250.00	\$500.00
10. 34-60(b)	\$50.00	\$250.00	\$500.00	---
11. 38-3	\$50.00	\$250.00	\$500.00	---
12. 58-81	\$50.00	\$100.00	\$250.00	\$500.00
13. 58-85	\$50.00	\$100.00	\$250.00	\$500.00
14. 58-88	\$50.00	\$100.00	\$250.00	\$500.00
15. 58-89	\$50.00	\$100.00	\$250.00	5500.00
16. 58-94	\$50.00	\$100.00	\$250.00	\$500.00
17. 58-95	\$50.00	\$100.00	\$250.00	\$500.00
18. 58-96	\$50.00	\$100.00	\$250.00	\$500.00
19. 58-98	\$50.00	\$250.00	\$500.00	---
20. 70-3	\$50.00	\$100.00	\$250.00	\$500.00
21. 74-2	\$50.00	\$100.00	\$250.00	\$500.00
22. 74-3	\$50.00	\$100.00	\$250.00	\$500.00
23. 74-4	\$50.00	\$100.00	\$250.00	\$500.00
24. 74-9	\$50.00	\$100.00	\$250.00	\$500.00
25. 74-10	\$50.00	\$100.00	\$250.00	\$500.00
26. 74-11	\$50.00	\$100.00	\$250.00	\$500.00
27. 74-35	\$50.00	\$100.00	\$250.00	\$500.00
28. 74-61	\$50.00	\$250.00	\$500.00	---
29. 86-175	\$50.00	\$250.00	\$500.00	\$1,000.00
30. Zoning, §2803	\$50.00	\$250.00	\$500.00	---
31. Housing, §12.24	\$50.00	\$250.00	\$500.00	---

Section 3. Publication and Effective Date. The City Clerk shall cause a notice of adoption of this ordinance to be published. This ordinance shall take effect 10 days after its adoption or upon publication of the notice of adoption, whichever occurs later.

YEAS: _____

NAYS: _____

ABSTAIN: _____

ABSENT: _____

[Certification on Next Page]

CERTIFICATION

This true and complete copy of Ordinance No. _____ was declared adopted at a Regular Meeting of the South Haven City Council held on _____, 2015.

Robert Burr, Mayor

Amanda Morgan, City Clerk

Introduced: _____, 2015
Adopted: _____, 2015
Published: _____, 2015
Effective: _____, 2015

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DRAFT

**CITY OF SOUTH HAVEN
VAN BUREN COUNTY, MICHIGAN**

ORDINANCE NO. _____

**AN ORDINANCE TO AMEND SECTION 6-2 AND REPEAL SECTION 6-3 OF THE
CODE OF ORDINANCES, CITY OF SOUTH HAVEN, MICHIGAN CONCERNING
ANIMALS**

The City of South Haven Ordains:

Section 1. Amendment. Section 6-2 of the Code of Ordinances, City of South Haven, Michigan, is amended to to read as follows:

Sec. 6-2. Animals outside the property of the owner.

- (a) No person owning or having possession, charge, custody or control of any animal shall:
 - (1) Allow such animal outside the boundaries of the property of the owner or person having possession, charge, custody, or control of that animal unless the animal is under reasonable control.
 - (2) Bring or allow such animal to be in any public park, public beach, or building open to the public unless the presence of such animal is expressly permitted by posted signage.
 - (3) Bring or allow such animal to be in any area, whether publicly or privately owned, where its presence is prohibited by posted signage.
- (b) The prohibitions in subsections (a)(2) and (a)(3) do not apply when the animal is a fully trained service dog that is assisting a person.
- (c) Any person who violates this section shall be responsible for a municipal civil infraction.

Section 2. Repeal. Section 6-3 of the Code of Ordinances, City of South Haven, Michigan, entitled "Animals running at large prohibited," is repealed.

Section 3. Publication and Effective Date. The City Clerk shall cause a notice of adoption of this ordinance to be published. This ordinance shall take effect 10 days after its adoption or upon publication of the notice of adoption, whichever occurs later.

YEAS: _____

NAYS: _____

ABSTAIN: _____

ABSENT: _____

[Certification on Next Page]

CERTIFICATION

This true and complete copy of Ordinance No. _____ was declared adopted at a Regular Meeting of the South Haven City Council held on _____, 2015.

Robert Burr, Mayor

Amanda Morgan, City Clerk

Introduced: _____, 2015
Adopted: _____, 2015
Published: _____, 2015
Effective: _____, 2015

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