

**NMPP • MEAN • NPGA • ACE**

NMPP Energy ■ 8377 Glynoaks Drive ■ Lincoln, NE 68516 ■ Phone: 402.474.4759

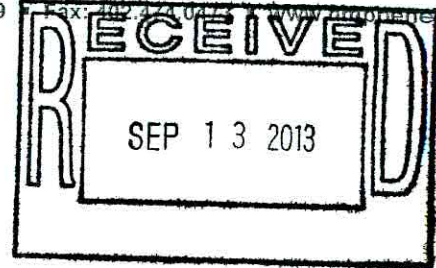
Fax: 402.474.0077 www.nmppoanenergy.org

September 10, 2013

VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED

RE: SPP/MEAN Settlement

Dear MEAN Representative:



The Municipal Energy Agency of Nebraska (MEAN) is sending you this letter to familiarize you with a summary of your community's responsibilities under the "Regulatory, Independent Transmission System Operator and Transmission Adjustment" (RITA). Our records indicate you have a Service Schedule Power Contract with MEAN (Power Contract) and received the minutes of the January 10, 2013 MEAN Board of Directors meeting. Additionally, you received an email from Carol Brehm on January 18, 2013 with an attachment called "SPP Tariff Talking Points for MEAN Board". That attachment provided a detailed background of the SPP billing dispute.

As you are aware, SPP alleged MEAN improperly tagged network paths thereby violating SPP's FERC approved tariff. As a result of this allegation, MEAN and SPP entered into settlement negotiations. Based upon the uncertainty of litigation and the costs associated therewith, MEAN agreed to pay SPP, without admitting wrongdoing, a settlement totaling \$6,286,806.41. The Settlement was accepted by the Federal Energy Regulatory Commission (FERC) on August 8, 2013 and became final on September 8, 2013.

The related RITA was proposed, reviewed and adopted as a resolution at the January 10, 2013, MEAN Board of Directors and Management Committee meeting, and is attached. The MEAN Board of Directors and Management Committee voted at the January 10, 2013 meeting to allow communities to pay the RITA allocation as follows:

- (a) Each Service Schedule M Participant: in equal monthly installments over a five-year term beginning April, 2014,
- (b) Each other Participant: in equal monthly installments over a five-year term beginning April, 2014 or the remaining term of the Participant's current Power Contract, whichever is less,
- (c) MEAN will offer those Participants whose current Power Contract has a remaining term of less than five years the option to enter into a separate written agreement to spread the Participant's share of the RITA over a maximum of five years. This decision reflects MEAN's desire to give communities sufficient time to plan for payment of the RITA, and
- (d) Any Participant may elect to pay its Participant Share in one payment; a separate written agreement is enclosed for the Participant to indicate this option, if desired.

Therefore, your municipality has the option to pay in one lump sum due no later than April 14, 2014, or to extend the payment over a five (5) year period. In order to elect the lump sum payment option, or to extend the payment over a five (5) year period for those Participants with a Power Contract with a term of less than five (5) years, you must sign and return the enclosed Agreement to MEAN no later than October 30, 2013. **If you do not return this signed Agreement on or before October 30, 2013, you will be required to pay your RITA allocation in equal monthly payments over the lesser of the five (5) year term or the term of your municipality's Power Contract with MEAN.**

The RITA calculation was derived from the Participant's total system energy requirements during the measurement period, less (a) the amount of electric energy delivered to the Participant by the Western Area Power Administration during the Measurement Period, (b) electric energy used by the Participant during the Measurement Period that was not scheduled by MEAN (e.g., "behind the meter" generation) and (c) as to the City of Gillette, Wyoming, electric energy from its interest in Wygen 3 during the Measurement Period. This methodology is fair and equitable between members. The attached Schedule I includes the RITA allocation by community.

If you have questions regarding the specific terms of repayment, please contact Jamie Johnson, Director of Finance and Accounting, at 1-800-234-2595.

Sincerely,

A handwritten signature in cursive script, appearing to read "Chris Dibbern".

Chris Dibbern  
General Counsel

Enclosures: Resolutions, Schedule I RITA Allocations, Agreement



**SCHEDULE I**  
**MUNICIPAL ENERGY AGENCY OF NEBRASKA**  
**Regulatory ISO Transmission Adjustment (RITA)**  
**ESTIMATED Impact**

Feb 10 to Jan 12

	<u>Grand Total kWh</u>				<u>Option 1 -</u>	<u>Option 1 - \$/Year</u>	<u>Option 2 - \$/Month</u>	<u>Option 2 - \$/Year</u>
	<u>Less WAPA</u>	<u>% of Total</u>	<u>Total \$ Allocation</u>		<u>\$/Month Allocated</u>	<u>Allocated over 3</u>	<u>Allocated over 5</u>	<u>Allocated over 5</u>
					<u>over 3 years</u>	<u>years</u>	<u>years</u>	<u>years</u>
ALLIANCE	231,087,046	5.4%	\$ 339,747.23	\$	9,437.42	\$ 113,249.08	\$ 5,662.45	\$ 67,949.45
ANSLEY	9,412,377	0.2%	\$ 13,838.20	\$	384.39	\$ 4,612.73	\$ 230.64	\$ 2,767.64
ARNOLD	4,718,943	0.1%	\$ 6,937.85	\$	192.72	\$ 2,312.62	\$ 115.63	\$ 1,387.57
ASPEN	89,913,851	2.1%	\$ 132,192.53	\$	3,672.01	\$ 44,064.18	\$ 2,203.21	\$ 26,438.51
BASIN	24,640,842	0.6%	\$ 36,227.29	\$	1,006.31	\$ 12,075.76	\$ 603.79	\$ 7,245.46
BAYARD	8,206,838	0.2%	\$ 12,065.80	\$	335.16	\$ 4,021.93	\$ 201.10	\$ 2,413.18
BEAVER CITY	11,917,710	0.3%	\$ 17,521.57	\$	486.71	\$ 5,840.52	\$ 292.03	\$ 3,504.31
BENKELMAN	21,810,967	0.5%	\$ 32,066.77	\$	890.74	\$ 10,688.92	\$ 534.45	\$ 6,413.35
BLUE HILL	7,730,798	0.2%	\$ 11,365.92	\$	315.72	\$ 3,788.64	\$ 189.43	\$ 2,273.18
BREDA	2,625,273	0.1%	\$ 3,859.71	\$	107.21	\$ 1,286.57	\$ 64.33	\$ 771.94
BRIDGEPORT	25,356,411	0.6%	\$ 37,279.33	\$	1,035.54	\$ 12,426.44	\$ 621.32	\$ 7,455.87
BROKEN BOW	152,124,663	3.6%	\$ 223,655.69	\$	6,212.66	\$ 74,551.90	\$ 3,727.59	\$ 44,731.14
BUFFALO	12,177,788	0.3%	\$ 17,903.94	\$	497.33	\$ 5,967.98	\$ 298.40	\$ 3,580.79
BURWELL	24,661,204	0.6%	\$ 36,257.23	\$	1,007.15	\$ 12,085.74	\$ 604.29	\$ 7,251.45
CALLAWAY	9,276,363	0.2%	\$ 13,638.23	\$	378.84	\$ 4,546.08	\$ 227.30	\$ 2,727.65
CARLISLE	42,041,079	1.0%	\$ 61,809.35	\$	1,716.93	\$ 20,603.12	\$ 1,030.16	\$ 12,361.87
CHAPPELL	13,554,578	0.3%	\$ 19,928.12	\$	553.56	\$ 6,642.71	\$ 332.14	\$ 3,985.62
CRETE	231,295,166	5.4%	\$ 340,053.21	\$	9,445.92	\$ 113,351.07	\$ 5,667.55	\$ 68,010.64
CURTIS	28,030,347	0.7%	\$ 41,210.59	\$	1,144.74	\$ 13,736.86	\$ 686.84	\$ 8,242.12
DELTA	107,798,700	2.5%	\$ 158,487.07	\$	4,402.42	\$ 52,829.02	\$ 2,641.45	\$ 31,697.41
DENVER	26,945,156	0.6%	\$ 39,615.12	\$	1,100.42	\$ 13,205.04	\$ 660.25	\$ 7,923.02
FAIRBURY	167,976,164	3.9%	\$ 246,960.78	\$	6,860.02	\$ 82,320.26	\$ 4,116.01	\$ 49,392.16
FLEMING	3,763,728	0.1%	\$ 5,533.48	\$	153.71	\$ 1,844.49	\$ 92.22	\$ 1,106.70
FONDA	5,046,361	0.1%	\$ 7,419.23	\$	206.09	\$ 2,473.08	\$ 123.65	\$ 1,483.85
FORT MORGAN	356,836,670	8.3%	\$ 524,625.99	\$	14,572.94	\$ 174,875.33	\$ 8,743.77	\$ 104,925.20
FOUNTAIN	416,851,488	9.7%	\$ 612,860.57	\$	17,023.90	\$ 204,286.86	\$ 10,214.34	\$ 122,572.11
GERING	94,561,020	2.2%	\$ 139,024.86	\$	3,861.80	\$ 46,341.62	\$ 2,317.08	\$ 27,804.97
GILLETTE	249,337,066	5.8%	\$ 366,578.65	\$	10,182.74	\$ 122,192.88	\$ 6,109.64	\$ 73,315.73
GLENWOOD SPRINGS	247,857,515	5.8%	\$ 364,403.40	\$	10,122.32	\$ 121,467.80	\$ 6,073.39	\$ 72,880.68
GRANT	32,017,702	0.7%	\$ 47,072.85	\$	1,307.58	\$ 15,690.95	\$ 784.55	\$ 9,414.57
GUNNISON	90,197,712	2.1%	\$ 132,609.87	\$	3,683.61	\$ 44,203.29	\$ 2,210.16	\$ 26,521.97
HAXTUN	10,932,967	0.3%	\$ 16,073.79	\$	446.49	\$ 5,357.93	\$ 267.90	\$ 3,214.76
HOLYOKE	19,718,823	0.5%	\$ 28,990.87	\$	805.30	\$ 9,663.62	\$ 483.18	\$ 5,798.17
IMPERIAL	49,483,628	1.2%	\$ 72,751.48	\$	2,020.87	\$ 24,250.49	\$ 1,212.52	\$ 14,550.30
INDIANOLA M.U.	251,307,078	5.9%	\$ 369,474.99	\$	10,263.19	\$ 123,158.33	\$ 6,157.92	\$ 73,895.00
JULESBURG	19,926,333	0.5%	\$ 29,295.96	\$	813.78	\$ 9,765.32	\$ 488.27	\$ 5,859.19
KIMBALL	42,804,848	1.0%	\$ 62,932.25	\$	1,748.12	\$ 20,977.42	\$ 1,048.87	\$ 12,586.45
LYMAN	7,972,171	0.2%	\$ 11,720.79	\$	325.58	\$ 3,906.93	\$ 195.35	\$ 2,344.16
LYONS	25,752,301	0.6%	\$ 37,861.37	\$	1,051.70	\$ 12,620.46	\$ 631.02	\$ 7,572.27
MITCHELL	17,345,454	0.4%	\$ 25,501.52	\$	708.38	\$ 8,500.51	\$ 425.03	\$ 5,100.30
MORRILL	17,286,611	0.4%	\$ 25,415.00	\$	705.97	\$ 8,471.67	\$ 423.58	\$ 5,083.00
OAK CREEK	12,051,955	0.3%	\$ 17,718.94	\$	492.19	\$ 5,906.31	\$ 295.32	\$ 3,543.79
OXFORD	13,327,433	0.3%	\$ 19,594.17	\$	544.28	\$ 6,531.39	\$ 326.57	\$ 3,918.83
PAXTON	11,059,390	0.3%	\$ 16,259.66	\$	451.66	\$ 5,419.89	\$ 270.99	\$ 3,251.93
PENDER	25,117,924	0.6%	\$ 36,928.70	\$	1,025.80	\$ 12,309.57	\$ 615.48	\$ 7,385.74
PIERCE	41,368,042	1.0%	\$ 60,819.84	\$	1,689.44	\$ 20,273.28	\$ 1,013.66	\$ 12,163.97
PLAINVIEW	21,931,729	0.5%	\$ 32,244.32	\$	895.68	\$ 10,748.11	\$ 537.41	\$ 6,448.86
RED CLOUD	20,456,327	0.5%	\$ 30,075.16	\$	835.42	\$ 10,025.05	\$ 501.25	\$ 6,015.03
ROCKFORD	12,938,660	0.3%	\$ 19,022.59	\$	528.41	\$ 6,340.86	\$ 317.04	\$ 3,804.52
SARGENT	10,439,485	0.2%	\$ 15,348.27	\$	426.34	\$ 5,116.09	\$ 255.80	\$ 3,069.65
SERGEANT BLUFF	58,265,102	1.4%	\$ 85,662.12	\$	2,379.50	\$ 28,554.04	\$ 1,427.70	\$ 17,132.42
SHICKLEY	7,650,701	0.2%	\$ 11,248.16	\$	312.45	\$ 3,749.39	\$ 187.47	\$ 2,249.63
SIDNEY	154,249,967	3.6%	\$ 226,780.34	\$	6,299.45	\$ 75,593.45	\$ 3,779.67	\$ 45,356.07
SPENCER	13,841,692	0.3%	\$ 20,350.24	\$	565.28	\$ 6,783.41	\$ 339.17	\$ 4,070.05
STUART	12,277,932	0.3%	\$ 18,051.18	\$	501.42	\$ 6,017.06	\$ 300.85	\$ 3,610.24
TORRINGTON	174,528,515	4.1%	\$ 256,594.13	\$	7,127.61	\$ 85,531.38	\$ 4,276.57	\$ 51,318.83
WALL LAKE	3,686,593	0.1%	\$ 5,420.08	\$	150.56	\$ 1,806.69	\$ 90.33	\$ 1,084.02
WAVERLY	295,671,864	6.9%	\$ 434,700.68	\$	12,075.02	\$ 144,900.23	\$ 7,245.01	\$ 86,940.14
WEST POINT	101,310,509	2.4%	\$ 148,948.05	\$	4,137.45	\$ 49,649.35	\$ 2,482.47	\$ 29,789.61
WISNER	10,229,292	0.2%	\$ 15,039.24	\$	417.76	\$ 5,013.08	\$ 250.65	\$ 3,007.85
WOOD RIVER	25,266,190	0.6%	\$ 37,146.69	\$	1,031.85	\$ 12,382.23	\$ 619.11	\$ 7,429.34
YUMA	38,147,773	0.9%	\$ 56,085.36	\$	1,557.93	\$ 18,695.12	\$ 934.76	\$ 11,217.07
Total	4,276,118,815	100.0%	\$ 6,286,806.37	\$	174,633.49	\$ 2,095,602.13	\$ 104,780.08	\$ 1,257,361.28
					x 36	x 3	x 60	x 5
Total				\$	6,286,805.64	\$ 6,286,806.39	\$ 6,286,804.80	\$ 6,286,806.40
Penalty Assessed			\$ 6,286,806.41	\$	6,286,806.41	\$ 6,286,806.41	\$ 6,286,806.41	\$ 6,286,806.41
Variance			\$ (0.04)	\$	(0.77)	\$ (0.02)	\$ (1.61)	\$ (0.01)



**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
MUNICIPAL ENERGY AGENCY OF NEBRASKA APPROVING A COST  
ALLOCATION METHODOLOGY FOR THE SETTLEMENT AMOUNT  
PAYABLE TO THE SOUTHWEST POWER POOL, MAKING CERTAIN  
FINDINGS AND DETERMINATIONS, ENABLING PARTICIPANTS TO  
REPAY THEIR COST ALLOCATIONS OVER TIME AND RELATED  
MATTERS**

WHEREAS, the Board of Directors (the "*Board*") of MEAN has approved a proposed Settlement Agreement with the Southwest Power Pool, Inc. ("*SPP*"), which provides for the payment of a settlement amount by MEAN in respect of its allegedly improper use of network integration transmission service from SPP during the period from February 1, 2010 through January 31, 2012;

WHEREAS, such SPP network integration transmission service was used by MEAN in the operation of its integrated power supply system for the benefit of all of its participating municipal utilities (collectively, the "*Participants*") under the Electric Resources Pooling Agreement and Service Schedules J, K, K-1 and M thereto (collectively, the "*Pooling Agreement*") between MEAN and the Participants;

WHEREAS, it is necessary to establish a methodology for the allocation of such settlement amount (referred to herein as the "*regulatory independent transmission system operator and transmission adjustment*" or "*RITA*") among the Participants;

WHEREAS, the duties of the Management Committee established under the Pooling Agreement include establishing rates and charges for transactions under Service Schedules J, K and K-1 that are sufficient to reimburse MEAN for expenses incurred on behalf of the Participants pursuant to such Service Schedules;

WHEREAS, Service Schedule F to the Pooling Agreement (Wheeling Services and Losses), applicable to the Supplemental Agreement for Firm Power Interchange Service provides that Participants under Service Schedule J shall fully reimburse MEAN for any wheeling costs incurred in the delivery of power and energy;

WHEREAS, the Schedules of Rates and Charges attached to Service Schedules K and K-1 provide that transmission service charges and certain other amounts shall be passed through to Service Schedule K and K-1 Participants, respectively;

WHEREAS, pursuant to Service Schedule M, the Total Power Requirements Power Purchase Agreement (the "*Service Schedule M Agreement*"), the Board is required to establish nondiscriminatory, fair and reasonable rates based primarily on cost of service, which rates shall be designed to be sufficient to pay all "Project Costs" (as defined in the Service Schedule M Agreement) which include (among other things) transmission costs incurred by MEAN in the performance of its obligations under the Service Schedule M Agreement;

WHEREAS, the Schedule of Rates and Charges attached to the Service Schedule M Agreement provides that transmission service charges and certain other amounts shall be passed through to Service Schedule M Participants; and

WHEREAS, it is necessary, desirable and in the best interest of MEAN and all of the Participants for the Board and the Management Committee to establish a methodology for allocating the RITA among all of the Participants that is nondiscriminatory, fair and reasonable consistent with the terms of the Pooling Agreement.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Municipal Energy Agency of Nebraska as follows:

1. The Board hereby finds, determines and declares that:
  - a. During the period from February 1, 2010 through January 31, 2012 (the "*Measurement Period*"), SPP network integration transmission service was used by MEAN in the operation of its integrated power supply system for the benefit of all of the Participants;
  - b. The RITA was incurred by MEAN in the performance of its responsibilities under the Pooling Agreement and constitutes a cost of transmission service incurred by MEAN that is properly charged to each of the Participants;
  - c. The cost allocation methodology for the RITA set forth in this Resolution is based upon each Participant's "Net Energy Requirements" (as defined below) during the Measurement Period and bears a reasonable relationship to the utilization of SPP network integration transmission service to meet each Participant's energy requirements during the Measurement Period; and
  - d. Accordingly, the cost allocation methodology for the RITA set forth in this Resolution is nondiscriminatory, fair and reasonable and is consistent with the terms of the Pooling Agreement and Service Schedules thereto.
2. The RITA is hereby allocated to each Participant based upon the ratio of its "Net Energy Requirements" to the sum of the "Net Energy Requirements" of all Participants. Each Participant's "Net Energy Requirements" shall mean the total system energy requirements of a Participant during the Measurement Period, less (a) the amount of electric energy delivered to the Participant by the Western Area Power Administration during the Measurement Period, (b) electric energy used by the Participant during the Measurement Period that was not scheduled by MEAN (*e.g.*, "behind the meter" generation) and (c) as to the City of Gillette, Wyoming, electric energy from its interest in Wygen 3 during the Measurement Period. SCHEDULE I attached hereto shows (i) each Participant's Net Energy Requirements, (ii) the sum of the Net Energy Requirements of all Participants and (iii) each Participant's resulting share of the RITA (the "*Participant Share*").



3. Each Participant is responsible for the payment of its Participant Share on and as of the date of this Resolution. To avoid unnecessary hardship on Participants, MEAN shall bill the Participant Shares (a) to each Service Schedule M Participant in equal monthly installments over a five-year term and (b) to each other Participant in equal monthly installments over a five-year term or the remaining term of the Participant's current Service Schedule, whichever is less; *provided that* (y) MEAN shall offer those Participants whose current Service Schedules have a remaining term of less than five years the option to enter into a separate written agreement to spread the Participant Share over a maximum of five years, and (z) any Participant may, by written notice delivered to MEAN within 30 days of the date of this resolution, elect to pay its Participant Share in one payment.
4. Interest expense and other charges associated with any financing arrangements made by MEAN for the RITA shall be charged to the Participants in accordance with MEAN's established rates and charges.
5. If any section or provision of this resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section or provision shall not affect any of the remaining provisions of this resolution.
6. This resolution shall be effective immediately upon its approval and adoption.

ADOPTED AND APPROVED by the Board of Directors of the Municipal Energy Agency of Nebraska, this 10th day of January, 2013.