

EXECUTIVE SESSION
MONDAY, MARCH 2, 2015 – 6:45 PM

REGULAR COUNCIL MEETING
MONDAY, MARCH 2, 2015 - 7:30 PM

President Paul Hach called the regular meeting to order in Council Chambers at 6:30 pm for the purposes of an Executive Session to discuss Personnel and Policies & Procedures with the following in attendance: Paul Hach, Katie Jenkins, Andrew Flock, Tom Fitzgerald, Mike DeLeone, Lori DiNallo and Jim Fodor. A Motion to move into Executive Session was made by Mr. DeLeone, seconded by Mrs. Jenkins. All members answered “yes”. Motion carried. City Council moved to Courtroom #2.

At 7:30 pm, Council returned to Courtroom #1 and a Motion to Adjourn from Executive Session was made by Mrs. Jenkins, seconded by Mr. DeLeone. All members answered “yes”. Motion carried.

At 7:31 pm, President Hach called the regular meeting to order in Courtroom #1, requested visitors please turn off their cell phones and other electronic devices. Councilman Andrew Flock gave the invocation. The Pledge of Allegiance was recited.

City Council convened in a regular meeting in Council Chambers, with the following in attendance: Paul Hach, Lori DiNallo, Katie Jenkins, Andrew Flock, Jim Fodor, Tom Fitzgerald, Mike DeLeone, City Manager Anthony Carson, Law Director Joseph Gurley, Assistant City Manager Doug Lewis, Police Chief Anthony Powalie, Fire Chief Mark Mlachak, Finance Director Andy Unetic, Water Superintendent George Ginnis, Public Works Supervisor Brian Belfiore, Water Pollution Control Plant Superintendent Randy Bruback; Electric Superintendent Jeff McHugh, City Planner Lynn White, City Engineer Leanne Exum, Economic Development Director Cathy Bieterman, and Clerk of Council Tara Diehl.

A Motion was made by Mr. DeLeone, seconded by Mrs. DiNallo to approve minutes for February 17, 2015 as submitted. All members answered “yes”. Motion carried.

Mr. Hach stated we will now be recognizing visitors and if there was anyone in the audience who wished to speak to please raise their hands and wait to be called upon. Once called upon, he requested Visitors please use the podium, clearly state their name and address into the microphone, and limit comments to 3 minutes. Any dialogue must be conducted through him as President of Council, although comments or questions can be addressed to Council, the Administration, or both.

Mr. Anthony Torre of 158 Sanford Street discussed the Gazette’s newspaper article written by Rose Moore regarding General Paine being buried in Charter Oak Park he provided to Council for the last meeting and wanted to make sure Council read it. He also asked that a leaflet be created about the history of the City of Painesville. Mrs. Jenkins stated the Downtown Painesville Organization is working on updating their pamphlet with the Historical Society. Mrs. DiNallo stated if Mr. Torre is interested, she will provide him with the date for the next meeting of the historical committee as they are looking for community members to join.

Mr. Angelo Cimaglio of 477 Owego Street thanked the administration and Mr. McHugh for the PCA presentation at the last meeting. He questioned who pays for the electricity to operate the city’s lights and traffic lights, if the \$4 million in peak shaving is given in an invoice or a credit to the City, how does this savings arrive into the City, and how does the savings directly affect the residents utility bills.

Moving on to Legislation, President Hach asked if there was anyone who wished to speak on the one item of legislation on the agenda this evening. No one wished to speak.

A RESOLUTION ESTABLISHING A PAINESVILLE JOB CREATION TAX CREDIT (JCTC)
AS PERMITTED IN SECTION 718.15 OF THE OHIO REVISED CODE AND DECLARING
AND EMERGENCY

was given second reading.

Mr. Carson referred to Council’s previous request to leave this on the Agenda for three readings.

Mr. DeLeone asked for the Resolution to remain on for the third reading, Mr. Flock seconded the request.

Mr. Hach stated this legislation will remain on second reading.

Under old business, there were two items: Prairie State Power Plant and Buffering of railroads and limited access highways.

Mr. Flock read from an article regarding Prairie State and the outage they experienced on February 28, 2015. At the last Council meeting, Mr. Flock provided an additional article to Council which he also read from. (*See Attachments #1 & #2*) Mr. Hach asked Mr. McHugh if this outage will be reflected in the utility billing in any way.

Mr. Hach asked Mr. McHugh how this outage will affect the City. Mr. McHugh stated AMP purchased market power to cover needs during Prairie State's outage. We received nothing from AMP, but will be able to calculate the information in the next billing.

Mr. McHugh also state there is good news from AMP. They refinanced some of the earlier bonds and debt service, paid down some of the costs, and paid down their line of credit almost \$3 million. The line of credit sits at slightly over \$10 million at the end of January, which puts the City's portion at approximately \$270,000. Prairie State is producing above their projected amount.

Mr. Hach asked if Mr. Flock's information on production percentage is out of date. Mr. McHugh explained the article is based on the last 2 years of data. Prairie State now has a new management team and the results have exceeded expectations.

Mr. DeLeone asked when new numbers will be out in regards to efficiency. Mr. McHugh stated it will be available monthly, but will need a few months to catch up with the new management.

Mr. Hach referred to Mr. Lewis who stated he had nothing new regarding buffering of railroads and limited access highways.

There was no Unfinished Business.

There was no Presentation to Council this evening.

Mr. Gurley did not have an administrative report.

Mr. Carson discussed Council's request to having additional information on utility bills in regards to Power Cost Adjustment (PCA). Mr. Unetic provided the requested information to Mr. Carson whereby PCA information can be placed at the bottom of the current utility bills and read "The Power Cost Adjustment for the current billing cycle is..." which can then be adjusted monthly based on the rate changes. We do not have the ability with the current software to change the bills. Anything beyond would cost tens of thousands of dollars to make changes to the current software. Mr. Unetic stated we can begin with the April 1st billing cycle.

Mrs. Jenkins asked about adding more information to the bill and perhaps we can re-evaluate the software and build into the future budget to allow for new billing software.

Mr. Flock would like to see a formula to calculate the PCA placed on the bill. Mr. McHugh explained what the formula would be.

Mr. DeLeone would like the feasibility of new software programs looked at for the next meeting.

Mr. Carson explained he has gone through a complete software change and it would cost the City hundreds of thousands of dollars.

Mrs. DiNallo expressed her concerns with current budget constraints and our time would be better spent on other matters such as roads.

Mr. Hach asked for this item to be added to the worksession next week.

Under Clerk of Council Correspondences, Ms. Diehl stated there will be a Council Worksession on Monday, March 9, 2015 at 6:00 pm to discuss the budget carry over; The next Regular Council Meeting will be held on Monday, March 16, 2015 at 7:30 pm; There will be a Public Hearing on the Water Intake on Monday March 23, 2015 at 6:00 pm; Regional Income Tax Agency (RITA) Municipal Taxpayer Assistance Event - FREE Municipal Income Tax Return Preparation will be held THIS THURSDAY March 5, 2015 from 12:00 PM to 6:00 PM at the City of Willoughby Hills, 35405 Chardon Road, Willoughby Hills, Ohio 44094, March 5, 2015, 12:00 PM to 6:00 PM. If you would like more information about this topic, please contact RITA Customer Service at 1-800-860-7482; The Citizen's Police Academy is being held for 2 Saturday Sessions on March 14 & 21, 2015. Must attend both sessions. Please Contact Police Chief Anthony Powalie to reserve your spot; and Breakfast with the Easter Bunny and Egg Hunt is Saturday, March 28th. Breakfast is 8:45am at the Senior Center – Cost is \$5 per person & Children under the age of 2 are free with a paid adult; FREE Easter Egg Hunt is 10am in Veteran's Park.

Closing Comments.

Mr. Fitzgerald and Mr. Flock did not have any comments.

Mrs. Jenkins asked if Mr. McHugh is working on the PCA vs. the non-PCA rate comparison she asked for during the presentation at the last meeting and if he had the copy of the questions and answers from Mr. Flock from the presentation. She reminded residents to shovel out the fire hydrants in front of their homes, and sends her condolences in the passing of our K9 Cash.

Mrs. DiNallo stated she attended the Founder's Day breakfast with Mr. Fodor and Mr. Hach where the new Executive Director of the DPO recommended Council visit some of the City's historical buildings. She visited the Painesville United Methodist Church on the square to see the majestic organ.

Mr. Fodor reminded residents to take a few extra minutes to keep the storm drains in front of their homes clear of snow, ice and debris. He assured the residents the City is working to fill potholes as quickly as possible.

Mr. DeLeone offered his condolences in the loss of K9 Cash.

Mr. Hach thanked everyone for coming and expressed his gratitude to Painesville City Local Schools Superintendent John Shepard in his professionalism handling the threat to the school as well as thanking the Police Department. He then asked for a Motion to Adjourn.

Motion to Adjourn made by Mr. DeLeone seconded by Mrs. DiNallo. All members answered "yes". Motion carried. The meeting was adjourned at 8:05 p.m.

Tara Diehl
Clerk of Council

Paul W. Hach II
President of Council



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2014 - Another Year of Unmet Promises for the Prairie State Energy Campus

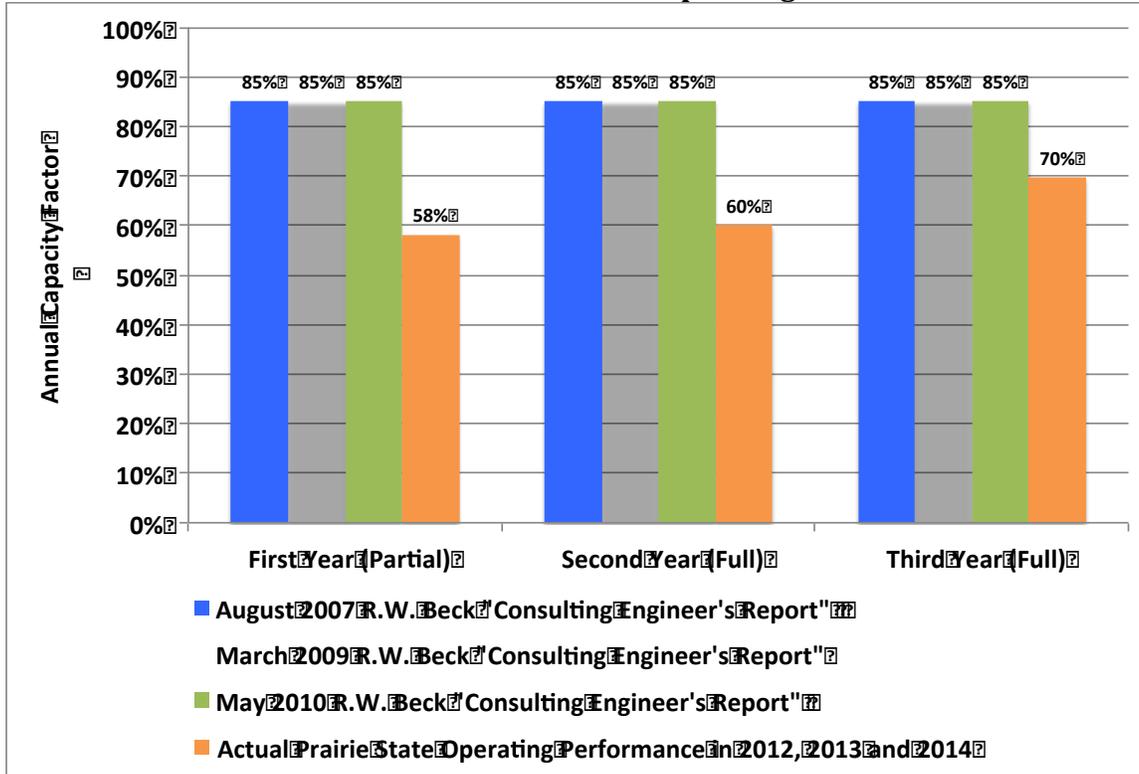
David Schlissel, Director of Resource Planning Analysis, Institute for Energy Economics and Financial Analysis

As it did in 2012 and 2013, the Prairie State Energy Campus failed in 2014 to provide the reliable, low cost power that AMP, Peabody Energy, and the other plant owners had promised more than 200 communities around the Midwest in order to convince them to sign long term contracts to buy power from the plant.

1. Failure to operate at promised capacity factor

When it was promoting Prairie State to communities in 2007, AMP used a study by R.W. Beck, its consultant, that showed that Prairie State would immediately operate at an average 85% annual capacity factor right after the plant began commercial operations, and would achieve this same excellent level of operating performance every year thereafter. The plant's owners made this same claim about its expected operating performance in the documents they used to sell bonds to investors to raise money to build Prairie State. However, the plant's actual performance in 2012, 2013 and 2014 has been far below this promised level.

Chart 1: Prairie State's Promised vs. Actual Operating Performance



Thus, the plant has actually operated at below a 64% capacity factor since it began operations in June 2012, far below the 85% capacity factor promised by the owners. It also operated lower than the 78% capacity factor which the owners had included in their budgets for 2014.

2. Failure to provide low cost power

Prairie State’s 2014 operating costs were more than \$13 million higher than the owners had budgeted.

This bad-for-ratepayer combination of higher costs and lower generation than budgeted meant that the plant’s actual operating cost in 2014 was \$28.74 per MWh, or 18%, higher than the owners had forecast.

Chart 3: Prairie State’s Actual vs. Budgeted Plant Operating Costs for 2014 (in dollars per MWh).



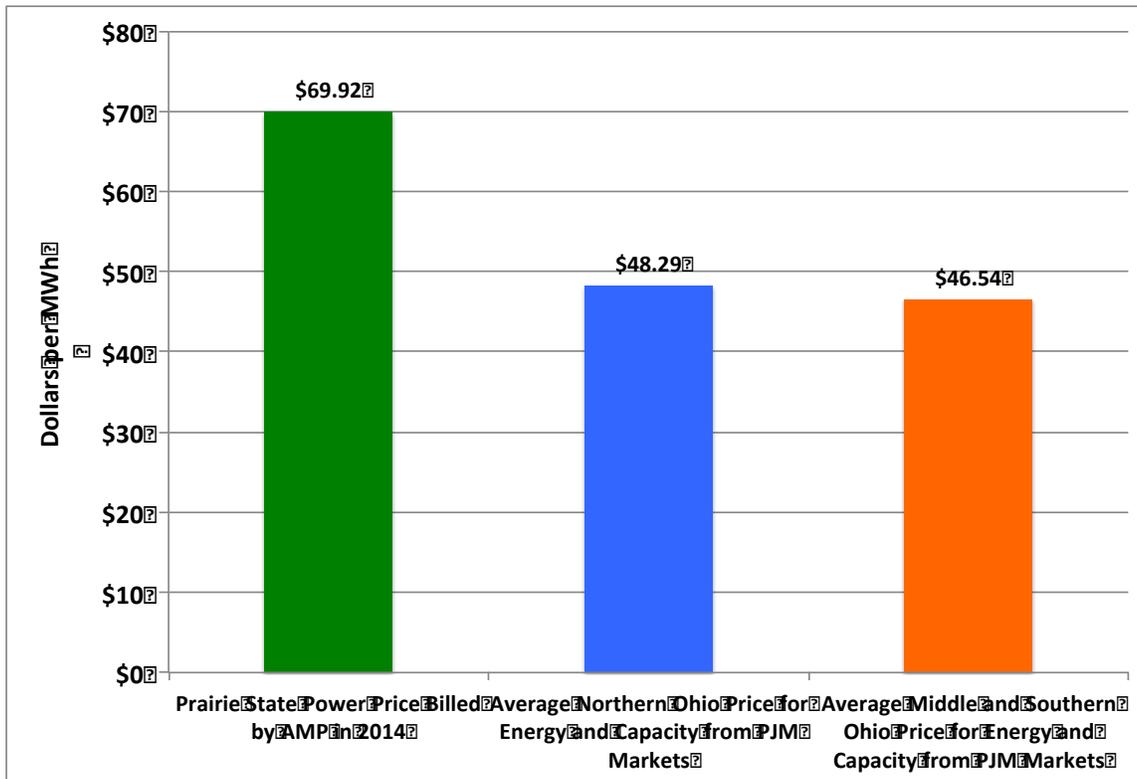
AMP has kept the total cost of Prairie State power that it bills to its members lower than they would otherwise be through the use of accounting practices that it calls Rate Stabilization and Levelization. What these practices do is simple – they defer some of the current true cost of the power from Prairie State to future years. AMP decides in advance how much it will bill its members for Prairie State power (an average of \$70 per MWh in 2014) and then defers the difference between the true cost and the predetermined billing price. The ratepayers in the communities will still have to pay most, if not all of these deferred costs, some time in the future. .

AMP also hides the true cost of Prairie State power by billing communities by blending the high cost of Prairie State power with the cost of less expensive “replacement power” that it purchases when the plant is not operating as well as they thought it would.

Nevertheless, even if the predetermined \$70 per MWh billing price were a reasonable representation of the true cost of Prairie State power – which it certainly is not – that price was

much higher than the price of buying the same amounts of capacity and power from the competitive wholesale PJM markets, as shown in the chart below.

Chart 4: Price for Prairie State power billed by AMP in 2014 versus price of buying an equivalent amount of capacity and energy from the competitive wholesale PJM markets.



Despite their failure to accurately predict the costs and performance of Prairie State so far, AMP and the other plant owners continue to make optimistic claims about how the plant will operate and how low its cost of power will be in the coming years. For example, after the plant has operated at only a 64% capacity factor since it began operations in June 2012, the owners are now predicting that it will operate at an 80.5% capacity factor in 2015 and an 82.2% capacity factor for the entire period, 2015-2024. Given these recent unmet promises, any predictions from Prairie State or its owners must be viewed with much more than a grain of salt.

But even if Prairie State does finally begin to operate as the owners have been advertising since 2007, if not earlier, it will remain a financial albatross around the necks of participating communities. Communities will never get back the tens of millions of dollars that they have unnecessarily paid since 2012 due to the high cost of power from Prairie State. And for decades they will continue to pay higher prices than necessary for their power from Prairie State. The light at the end of this tunnel does not come from Prairie State.

3. Sources

The data presented in this report has been taken from the following Prairie State sources:

- *AMP ‘Actual Through December 2014’ Pro Forma information provided to member communities;
- *Prairie State Generating Company’s October 2013 Prairie State Update;
- *Prairie State Generating Company’s September 2014 Prairie State Update;
- *Monthly power bills provided by Bowling Green & Galion, OH; Paducah Power System, KY; and the Northern Illinois Municipal Power Agency.

Prairie State units back up after outage

Posted: Saturday, February 28, 2015 12:25 AM BY DAVID ZOELLER
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Prairie State Energy Campus' two generating units being off-line last weekend did not have any impact on Paducah Power System or its customers, officials said.

According to Andrea Underwood, PPS director of community relations & marketing, both generating units "tripped off early Saturday morning when an insulator went to ground in the switchyard" during an ice storm.

It wasn't clear if the weather was the reason, and an analysis is underway to determine the cause, she said.

"Unit 1 came back up Monday, and Unit 2 came back up Wednesday night," Underwood said. "Both units are in full generating mode."

Prairie State is the chief supplier of electricity for PPS. Each of Prairie State's two 800-megawatt generating units have been off-line for periods in the past, as the plant went through a prolonged "shakedown" phase since its 2012 opening.

The Illinois-based plant being off-line previously resulted in Paducah Power having to pay more for power on the wholesale market while still having to pay Prairie State as an owner/investor. That caused an increase in PPS' power cost adjustment, which boosted rates to the point that they are now believed to be the highest in the state.

In hopes of stabilizing its financial situation and provide relief to ratepayers, the PPS board recently enacted a rate recovery plan. It calls for, among other things, using surety bonds to free up debt service reserve funds, and reducing its purchased power costs by using a new resource portfolio manager. PPS officials have also noted the recent improvement of the Prairie State plant.

"While it's in our best interest for Prairie State to run as well as it can, we would consider this a blip," Underwood said of the event last weekend.

"In our recovery plan, our financial projections for the rest of the fiscal year were based on a conservative 77 percent capacity factor for Prairie State," Underwood said. "Prior to this weekend's outage, Unit 1 had a record run of 113 days. The overall capacity factor for both units in November was 91.3 percent. December was 76.4 percent and January was 88.4 percent."

According to Underwood, PPS believes its projections on Prairie State's forced outage rate and capacity factor are right on target.