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Menasha educates residents on vote over WPPI Energy purchase of Menasha Utilities assets

BY MICHAEL KING • POST-CRESCENT STAFF WRITER • MARCH 21, 2010

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MENASHA REFERENDUM QUESTION

Shall the city of Menasha sell its electric utility assets to WPPI Energy at the price and upon the terms approved by the Public Service Commission of Wisconsin?

IF YOU GO

What: Public meeting on April 6 Menasha referendum

When: 6 p.m. March 29

Where: Menasha Public Library, 440 First St.

Why: City officials will explain the reason for the April 6 referendum and answer questions from the public about the WPPI Energy purchase-leaseback transaction.

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MENASHA — City officials may be restrained from lobbying support for the April 6 referendum on the [sale](#) of electric utility assets, but Mary Nebel isn't.

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"Menasha's future is at stake here," said Nebel, a resident who has followed the demise of the ill-fated Menasha Utilities steam utility that has led to the proposed sale and lease back of most of the city's valuable electric utility, including the utilities headquarters complex at 321 Milwaukee St.

"I believe if the referendum would fail, the WPPI (Energy transaction) comes off the table and we're headed for years of costly litigation with the bondholders," Nebel said. "The bondholders are not going to go away accepting all their losses."

City officials will explain the referendum during a public meeting at 6 p.m. March 29 at the Menasha Public Library, 440 First St.

Mayor Don Merkes said city and utility officials are not allowed to lobby for referendum support under election laws, but can provide information that allows voters to make an informed decision.

"If we advocate for or against, we would be considered lobbyists," he said.

On Sept. 1, the city defaulted on most of the \$24.1 million of municipal revenue [bonds](#) issued in 2005 and 2006 for construction of the steam utility. Some of the investors that are owed \$22.8

million plus interest have filed a federal securities lawsuit against the city and Menasha Utilities.

To help the city out of its predicament, WPPI Energy, the wholesale power supplier to the city-owned electric utility and 50 other member-owned electric utilities, proposed a purchase-leaseback [deal](#) involving the assets of the electric utility that had more than \$40 million in electric revenues in 2009.

That complex transaction, which would be contingent upon settlement of all claims against the steam utility, would provide the city with \$18.75 million, much of which would be used to help leverage a bondholder agreement.

The state Public Service Commission has approved the transaction as being in the best interest of the electric utility ratepayers and the city.

Ald. Sue Wisneski called the WPPI Energy transaction a "helping hand to pull ourselves out of the mire of possible ruin."

With it, she said, "We have the opportunity to save face, pay our bills, raise our floundering [credit ratings](#), and regain our city's financial footings."

The steam plant, which closed Oct. 9, remains under city ownership but has been decommissioned to preserve its value for future sale or use.

The referendum is required because of the proposed sale of publicly owned electric utility [assets](#). It requests voter approval of the WPPI Energy transaction that would allow the city to re-acquire the assets for a nominal fee after a 20-year lease period.

Under the deal, WPPI Energy assumes permanent ownership of \$2.5 million of American Transmission Co. stock held by Menasha Utilities and a monthly lease payment over 20 years of about \$100,000, a 6.5 percent rate of return.

Besides the upfront money, some of which is used to cover WPPI Energy expenses and also restore depleted utility reserves to strengthen the electric utility, the city gets to keep the electric utility's annual \$600,000 payment in lieu of taxes and favorable electric rates that are 12 percent to 20 percent lower than

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