

## Technical Response

Logansport Municipal Utilities has requested proposals from qualified providers interested in implementing a comprehensive plan for the utilization of your electric generating plant. Johnson Controls has investigated the project potential based on the information provided in the request for proposal and on the Logansport Municipal Utilities web site. We understand that LMU cannot afford to invest money into this plant and that you want to maintain or even lower your rates. We also understand that you have 31 jobs and families that depend on this plant.

### Our Experience

Johnson Controls has crafted this document as an offer to partner with the City to find alternative use for your plant. We have the horsepower, ideas and financial strength needed to work with the vision of LMU with the goals of a successful outcome regarding disposition of the existing coal fired plant. Johnson Controls has completed numerous projects in our 125-year history where we have upgraded and re-powered coal plants, and owned, operated, leased and maintained similar plants. We have partnered with other firms such as TRIGEN to own, lease and maintain 11 electrical generating plants in some of America's largest cities. Johnson Controls has been successful because we go beyond the traditional vendor/client role and help you reach your goals with new ideas and funding sources. Our offer to you is that we partner together in developing a solution that maximizes use of the plant, whether it be a fuel change, technology upgrade or an efficiency improvement. You may also find beneficial our ideas and assistance in negotiating favorable terms/rates from utility companies such as Duke. We can bring in industry experts to attend the next utility board meeting if asked.

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Given the short time to respond, we were unable to provide all of the detailed information requested in the RFP. We have therefore used a format similar to an request for information.

### Discussion

Johnson Controls has reviewed the financial reports and operating data from Logansport Municipal Utilities for 2010, the most current year available. Based on total generation of 126,927 MWH as compared to 324,393 MWH purchased, it appears that the plant generated 28% of the power required by Logansport Municipal Utilities. With a generated power cost of \$12.3 million, the net cost of generation is \$96.91/MWH. Purchased power cost \$18.6 million, or \$57.34/MWH. At the end of the year Logansport Municipal Utilities showed a loss of \$2.95 million on the 2010 Income Statement, which was mainly due to the cost of generation. Obviously in 2010, it was more economic, on average, to purchase power than to generate it.



***Using corn products in one of the boilers is one option Johnson Controls could investigate under the State of Indiana's "Guaranteed Energy Savings Program."***

As current MISO wholesale prices have been depressed in the \$40/MWH range, the business case to operate the plant to generate power at competitive prices to what Duke can offer appears quite challenging. In addition, it is unclear from the public information what costs will be incurred for compliance with the impending boiler MACT standards.

If Logansport can raise rates to become cash positive from an income perspective, Johnson Controls could offer an evaluation of incremental improvements to the electric generating plant, including additional of renewable energy sources to the boilers and the increased utilization of natural gas. It was noted that the generating plant did a test in 2010 using corn products in one of the boilers. Making this system a permanent upgrade is one option Johnson Controls could investigate under the State of Indiana's "Guaranteed Energy Savings Program."

Despite these challenges, there are several strong reasons to continue to use the plant to generate electricity, such as the acceptable site for a plant, water intake and discharge permits, a valid electrical interconnection with the MISO electric transmission grid, and the potential to sell or use emission credits. Understanding that the Duke offer to sell Logansport Municipal Utilities all the electricity is of a limited duration, future increases in wholesale power prices beyond current projects could create an opportunity to upgrade or replace the plant.

## **Conclusion**

As stated earlier, we have framed our response as an offer to work with you to identify a long-term solution for the plant and serve as a partner that can help negotiate with your current utility vendor and suppliers. Johnson Controls can also help you work with internal stakeholders to advance the best solution for the City. There is very little risk of a bad project with Johnson Controls, and with our depth of experience and the expertise of our personnel partnering with us makes a financially savvy decision.