




Memo

To: City Council
From: Bob Schwartz, City Manager 
Date: Friday, July 18, 2014
Re: MEAG Annual Meeting

Oxford was one of the 45 cities out of the 49 members represented at the annual meeting July 14-16. Here is a summary of what I learned.

Before the annual meeting started, we held elections for the board of directors. Mayor Keith Brady of Newnan, Mayor Greg Thompson of Monroe, and Mayor Larry Guest of Elberton were all reelected to their seats on the board of directors.

Bob Johnston, president, noted this was the 39th annual meeting for MEAG. Plant Vogel construction for units 3 and 4 continues on track. Oxford is not participating in this expansion, but 34 MEAG cities are. The US EPA just issued 1,800 pages of draft regulations on CO₂. It will require Georgia to reduce fossil fuel emissions by 44%. However, it is still a draft regulation. But, if it is adopted, it will fundamentally change the electric generation business. Essentially, it will order MEAG to stop "economic dispatch" and will require instead "environmental" dispatch. We will have to run the plants that are more environmentally acceptable rather than the plants that are more economically acceptable. EPA is recommending that electric utilities ramp up their use of natural gas and ramp down their use of coal. This is difficult for MEAG because we have 49 different mixes of resources. Each city has a separate portfolio.

CO₂ is a worldwide issue. There are approximately 500 coal units in the United States. This regulation may require that, over time, about half of them close. Worldwide, particularly in India and China, there are approximately 1,200 coal plants under construction. The result of this order might be that our unused coal will be exported and burned overseas. Renewables (solar and wind) receive special treatment in the regulations and the result may be a rush to build additional renewable resources.

Bob Johnston recommends that we get our rate schedules right and that we include rates for the cost recovery and the backup required for solar energy. ECG is working on a new ordinance for cities to use and I will bring it to a work session when it is available. MEAG's goal for the future is to 1) fight for appropriate credit for nuclear power; 2) recommend that cities get their rates ready for renewable energy; and 3) educate federal and state officials about the difficulties caused by this new order.

Bob Johnston feels that our rates will remain competitive because all of the southeast is dependent on coal and all of our surrounding utilities are faced with the same difficulties we are.

Sometimes national trends start on the West Coast. One of the speakers was Bill Gaines, CEO of Tacoma Public Power. He noted that the solar industry is more aggressive than the wind industry. And, in the southeast, the solar industry is likely to be the next big thing. His utility has had success with energy efficiency. They provide incentives for home improvements that customers can make that reduce the use of energy. He finds it ironic that the electric industry is being encouraged to ask customers to use less electricity.

We heard some economic forecasts suggesting that the overall Georgia economy will grow between 1.9% and 2.7% during 2014.

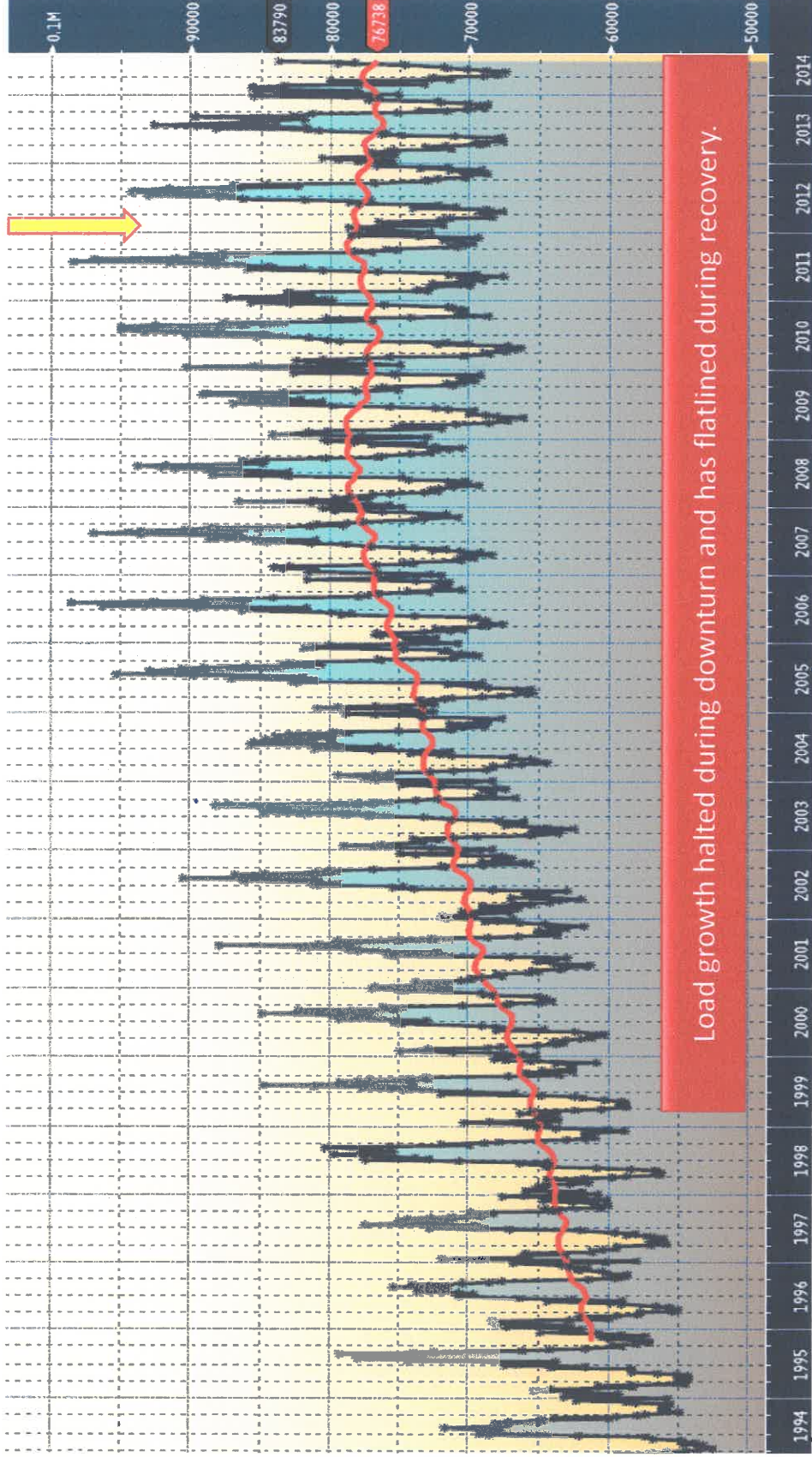
We heard that utilities are being encouraged to switch from coal and to increase their use of natural gas. The prediction is that national natural gas production will go up 25% over the next 4 years. This increase in production is based on fracking process. If that is ever restricted, all bets are off.

MEAG is a member of The Energy Authority in Jacksonville, Florida. The Energy Authority serves as a broker for the buying and selling of excess power. One of their staff members conducted a short briefing and I've included 2 graphs that he prepared. The 1st shows that the previous 4% growth in electric power usage year after year stopped in 2007 and has remained flat ever since. The 2nd shows that overall the percentage of electricity generated by coal will continue to go down and the percentage of electricity generated by natural gas will continue to go up. At some point in the future Oxford needs to think about finding a source of electricity generated by natural gas.

All in all, it was a worthwhile conference. It's important to realize just how much the national economy and national policies affect the electric utility business.

ATTACHMENTS

U.S. Power Generation since 1993 (in GWH)

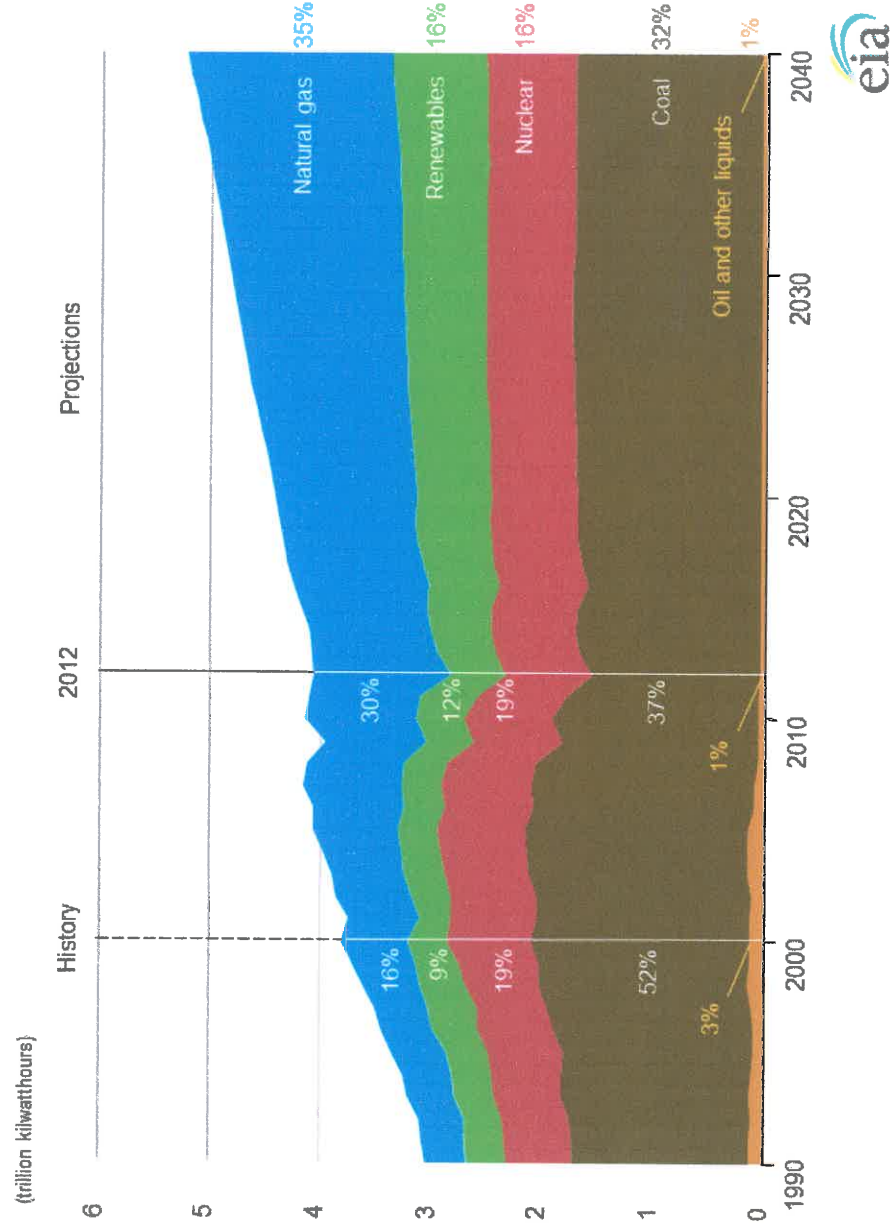


Source: Bloomberg

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Projected Generation Fuel Source to 2040

Figure 13. Electricity generation by fuel, 1990-2040



Source: EIA

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