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Bonestroo

February 24, 2010

Ms. Kimberley Dinkins
Office of Energy Independence
Wisconsin Department of Administration
17 West Main Street, Office 429
Madison, WI 53703

Re: Millhome Dam Hydroelectric Feasibility Study – Discovery Report, February 24, 2010
Client: Town of Schleswig
Client Project No.: 000851-09003-0

Dear Ms. Dinkins:

During the time since the January Quarterly Report the feasibility study included contacting hydroelectric dam contractors and consultants, determining whether or not the Federal Energy Regulatory Commission (FERC) has jurisdiction, investigating the requirements to complete and be granted a FERC license, and engineering work (estimating water volumes, energy productions and completing a cost to revenue estimation). Also, a meeting with Dennis Salzman and members of the Town Board was held February 23, 2010.

During the time from January 13, 2010 Bonestroo staff has determined that determination of FERC licensing and jurisdiction will cost the Town of Schleswig a substantial amount of money. The Office of Energy Independence suggested that we contact Ayers Associates in an email from Holly O'Higgins dated January 25th, 2010. After contacting Ayers Hydro staff and discussing the potential for FERC licensing at the Millhome Dam, it was estimated that the cost to determine licensing would cost anywhere from $250,000 to $300,000. Discussions with Mr. Salzman and members of the Town of Schleswig were meant to inform them on the necessary requirements to determine FERC jurisdiction; Declaration of Intention Documents, River Profile, 10-Day low water hydrograph, 10-Day average hydrograph, Average monthly low water hydrographs, system load curve, proposed annual rule of operation for the reservoir, maps, and jurisdictional analysis. In order to obtain the necessary information to determine if Millhome Dam would be FERC licensed extensive work would need to be done on-site.

Costs of turbine systems were also determined since January 13, 2010. After completing some research Bonestroo received a general quote from OGI, LLC out of Massachusetts for a system that would satisfy the hydrology parameters of the Sheboygan River at Millhome Dam (Average Baseflow upstream and downstream of the Millhome Dam). The quote came to an estimated $75,000 for the turbine, generator, and voltage regulator. Dam repairs, grading activities, access agreements, and engineering costs would also need to be added into the final cost.

Calculations were completed to estimate the amount of revenue the Township could obtain on a yearly basis from running the Turbine. Initial revenue estimates were between $125,000 and $190,000. After some discussions about the yearly income with the Town of Schleswig board members, it was brought to the attention of Bonestroo staff that the Sheboygan River's flow is

regularly slowed to the point that no water flows over the dam and furthermore, throughout the summer the reservoir is stagnant. Without having a scientific model of the Sheboygan River immediately upstream and downstream (Information collected for the FERC jurisdictional study) it is very hard to make an accurate estimate of the seasonal flow values. This information reduced the annual income estimates to $32,000 to $48,000, which would take substantially longer to pay for the initial costs. At this time the Town of Schleswig wishes to stop exploring the potential of installing a Hydro-Electric system at Millhome Dam. They do not want to pursue this interest any longer. It was determined that the Town of Schleswig is not willing to move further in the process to continue to evaluate if the dam can be converted to a Hydro-Electric Dam. The feasibility study will be discontinued as well and the future emphasis will be placed on repairing the current Millhome Dam.

If you have any questions or concerns feel free to contact us at 920-324-8600 or our toll free number 1-800-498-3921.

Sincerely,

BONESTROO

Michael A. Bach, EIT

Marty L. Koopman, PG
Municipal Division Director of Operations

cc: Dennis Salzman – Town of Schleswig