

VIDEO FAQ - TRANSCRIPT

ANSWERS FOR THE ATTORNEY

1. What is the regulatory framework and my obligation under it?

There is a number of regulatory approvals and processes that we have to go through anytime we're constructing or developing one of these projects. Whether it be a SWPP permit from the EPA, a filing with the Federal Energy Regulatory Commission, or with the Public Utilities Commission of Ohio, there are a number of those types of filings and approvals that we have to get. One Energy takes care of all those regulatory approvals and processes for you. So, you will not have to be involved in any of that.

2. What is net metering?

Net metering is a state law. And essentially what it does is it allows you to be compensated in a particular way for the excess electricity that the turbines produce and that goes out onto the grid.

I'll just use a basic example to explain how net metering works. In a typical scenario, let's say your plant consumes 1,000 kilowatt hours of electricity. You would be charged for 1,000 kilowatt hours of electricity. So, they would take your electric rate and they would multiply it by 1,000 kilowatt hours. Now, let's say you have a wind turbine on your facility. Let's say that wind turbine produces 800 kilowatt hours of electricity. What you would do in that scenario under net metering, is you would take 1,000 kilowatt hours and you would subtract out 800 kilowatt hours. And essentially instead of paying for the electricity to your utility for that 1,000 kilowatt hours, you would instead pay for that 200 kilowatt hours of electricity. You would pay for the net.

Then we'll explain the scenario where you produce more than you use. So, let's say the turbine produces 1,200 kilowatt hours of electricity in that month. Again, you're netting it. So essentially, you're producing 200 kilowatt hours more than you're using. And so, because you're putting that out onto the grid, the utility's going to compensate you for that excess electricity. That's a basic framework for how net metering works if it applies in your given state.

3. What is PURPA?

PURPA is the Public Utility Regulatory Policies Act of 1978. It's kind of a mouthful. What it essentially does is it allows three things: 1.) If you have a small generator like a wind turbine, it allows you to, on a federal level across the entire United States, interconnect



with your electric utility. So you can connect that turbine through your plant to the electric utility system. 2.) It allows you to sell any excess electricity that you would like to make available to the electric utility. If you have excess that's going out onto the grid, the utility has to compensate you for that under PURPA at avoided costs. 3.) It essentially says the electric utility still has to purchase electricity from you and they can't discriminate against you for having a wind turbine on your facility. Back 40 years ago, before this law was passed, essentially what people were finding was that if somebody installed a wind turbine or a co-generator on their facility, the electric utility got upset and started bumping up those rates. So essentially PURPA prevents that from happening.

The way One Energy and the way PURPA is important to your facility is that if your facility is located in an area that is not net metered or where net metering does not apply, you will sell that excess electricity back to the utility under PURPA at avoided costs rather than under net metering. And essentially the way that works is that in real-time they're netting out what exactly you're using versus what you're producing. And if you're producing excess, that's paid out at what the utility would have otherwise paid for electricity from another source.

4. Why Ohio?

One Energy started in Ohio because of the net metering laws that are available here. In many states, there are limits on the net metering laws, so it'll cap you at a certain size. It may say, "Okay, you can net meter, but you can only net meter up to a Megawatt or up to two Megawatts or up to 500 kilowatts." For industrial facilities, many of those facilities use far more than one Megawatt of electricity. So, you can't truly offset your usage with onsite wind or solar or whatever it may be.

Under Ohio, the net metering law is structured so you can size your facility (your on-site wind facility or whatever) to primarily offset your electricity usage. It truly allows industrial customers to be able to offset what they're using with onsite energy.

5. Who wrote the Renewable Energy Agreement (REA)?

One Energy wrote the Renewable Energy Agreement. The reason we wrote it was because, as we were looking at different agreements that were presented in the industry, they either had a lot of legalese, they were very hard to understand, or they allocated risk unfairly between the parties. When writing the Renewable Energy Agreement, what we wanted was an agreement that governed the arrangement between the customer and One Energy fairly, and was easier to understand and more accessible for people who don't understand all the legal jargon.



6. Why do you call it a Renewable Energy Agreement?

We call it a Renewable Energy Agreement because it governs the relationship between the customer and One Energy in respect to the installation and the operation of the renewable energy facility.

7. Do we have to use this form of lease or easement?

You do not need to use the form of lease or easement included with the Renewable Energy Agreement. Those are there just for convenience. If there's a form of agreement for your company you'd rather use, we're happy to take a look at that. The important thing for us is that we're able to access the facility throughout the facility's life, and we're also able to access it to construct the facility.

8. What insurance do you have?

The insurance we have for each project is at least \$5 million of general commercial liability insurance and excess liability insurance. We also include \$1 million of auto insurance and general worker's compensation insurance as well. In addition to that, as required in the REA contract, we have a whole suite of insurance that we use to insure both the company and the projects.

9. How am I protected from liability for your work?

In the Renewable Energy Agreement there's an indemnification clause like in many contracts. It basically states that One Energy indemnifies the customer for almost everything related to the project, including One Energy's negligence and One Energy's willful misconduct.

10. What will our responsibility and liability be?

The customer's responsibility under the Renewable Energy Agreement includes two obligations: first, allow us access to be able to construct the facility and to be able to operate and maintain the facility. Second, the agreement requires the customer to pay for any power the customer receives.

11. What liquidated damages are in the REA?

There are liquidated damages in the Renewable Energy Agreement if One Energy does not meet the installation schedule we set out. Basically, there is a date in the Renewable Energy Agreement, and One Energy has to have the turbines up, running, and providing power as of that date. If we don't meet that date, there are liquidated damages that kick in. The purpose behind that is we want the customer to know exactly when their energy



savings are starting. If we miss the date where we'll be providing power to the customer, then we have those liquidated damages come into effect so the customer knows they're going to receive less expensive power – or that benefit – as of that day.

12. Can we terminate the REA?

The customer can terminate the REA in a couple of ways. First, the Renewable Energy Agreement has a termination-for-convenience provision, where they essentially pay a fee or a *termination payment* to get out of the contract early. Second, there's also a buyout clause so that at specific milestone dates that are spelled out explicitly in the contract from the beginning, the customer can pay a given amount of money and buy out the entire project and contract completely.

13. Can we assign the project to someone else?

The REA is designed so the customer can assign the project to someone else. When this happens, One Energy wants to ensure the person or the party who the contract is being assigned to is credit worthy. If the counterparty who the assignment is going to has the same credit rating or is on the same credit standing as the initial customer, then the transfer is almost automatic. If the counterparty is not on the same credit standing, then there are some additional steps the customer must take to make that assignment, for example getting a letter of credit or something of that nature.

14. Which jurisdiction do you use and why?

Any dispute or anything that comes up under the REA comes under the jurisdiction of the Northern District of Ohio for federal jurisdiction, and any state claim would be under the Hancock County courts. The reason we do that is so it's uniform and so we can keep our costs low for any transaction like that and then pass that savings on to the customer.

15. What if we have a dispute?

If we have a dispute, there's a whole series of events laid out under the Renewable Energy Agreement. The reason that's done is One Energy tries to go to great lengths not to end up in a nasty litigious fight with somebody. That's never what we want. So, what the agreement says is that if we have a dispute, we're going to meet face to face and try to resolve that dispute. If that doesn't work and it's a technical issue, then we'd involve a third-party engineer who will write up an opinion of what they think of that technical issue, and then we can discuss that. If neither of those options works, then we can go through the general courts system, which would first be in the Northern District of Ohio



for a federal claim, and if it's a state claim, it would be in a state court here in Hancock County, Ohio where One Energy is based.

16. Is this a standard form agreement?

This is a standard form agreement. This is the base agreement One Energy has used for countless projects and for many years, and it's been well vetted by all sorts of law firms and accounting firms. We think it's a way to fairly allocate risk between the parties and to strike a fair deal in a way that's understandable to more people than just lawyers who deal with contracts every day.

17. How are you financed?

One Energy is financed through a combination of parent financing and project financing. The parent financing really just finances the bottom line of One Energy: our operating expenses, our enterprise expenses, and our overall overhead. The project financing goes only to the construction and operation of our projects.

18. Who owns/controls the land?

It depends. In some instances, the customer owns enough land to site a project. In that case, we typically lease that land from that customer using a long-term lease that lasts the lifetime of the project. We then also have easements to access the customer's plant and to access the facility. In other instances, the customer does not own enough land to install the facility. In that case, One Energy will go out and buy the land, taking care of all the details and building it into the Renewable Energy Agreement price, which may slightly affect the cents-per-kilowatt-hour rate the customer pays.

19. What happens if we default?

If the customer defaults under the agreement, One Energy has a duty to mitigate its damages. We sell any excess power into the wholesale markets and anything that is not sold into the wholesale market is made up by the customer.