

VIDEO FAQ - TRANSCRIPT

ANSWERS FOR THE ACCOUNTANT

1. How do you bill?

The form of our billing is prescribed in our Renewable Energy Agreement. It is meant to be a standard, straight-forward bill. We are happy to adapt that to you, to fit whatever other requirements you need. That bill is meant to be an easy-to-understand, easy-to-explain bill that comes to you monthly. And that bill is delivered either electronically or physically or both on a monthly basis at the prescribed time.

2. Who do you bill?

We bill whoever the contract tells us to bill. We understand the complexities of big organizations in billing. In some cases, we bill the plant. In some cases, we bill the corporate office. In some cases, we bill a third-party billing service. We are happy to bill whoever you would like us to bill. Either have that in the contract or let us know in writing afterwards that you'd like to change who that person or delivery place is.

3. How long do you keep your records?

From a practical point of view, we have no intention of getting rid of our records. From a contractual point of view, we keep all our records for at least two years so you can audit any billing we have done.

4. Can we audit your billing?

You absolutely can audit our billing. We're more than happy to provide raw-meter data and professional engineer certifications of meter programming, that give you the comfort to audit the bill and to see whatever data you want to and whatever level of analysis you would like to do.

5. Do we still get a bill from our power company?

Yes, you still get a bill from the power company. The bill will have lower consumption because we will have provided a significant portion of your consumption, but you will get a bill from both the power company and from us on a monthly basis.

6. Is this a lease?

No, this is not a lease. It is not an operating lease. It is not a capital lease. It does not meet the definition of "lease" in the requirements under FASB and GAAP.



7. Which version of the FASB rules are you basing your decision on?

Our view and our conclusion that the Renewable Energy Agreement is not a lease is based on both the current and the proposed change (or pending change) in the FASB rules. Under both situations we meet the tests to not be a lease.

8. If we take all of the power, how is this not a lease?

Under most typical tests, if you take not less than a significant amount, or all of the power from something, you have to do a lease analysis. And in a lot of cases it is. In our case, our contract (the Renewable Energy Agreement) has been drafted specifically with the guidance in mind contained in both the current and the future FASB. There is a series of requirements we must meet to demonstrate that it is still a market transaction and that you do not have control. Control gets to be a more stringent concept in the next revision of FASB, and we can provide a full guidance document that shows, point by point, where we meet the requirements.

Usually the next requirement in FASB, or other similar international guidance documents after, and you take not less than an insignificant amount of power or not majority of the power is that – end the price is neither fixed nor market rate. So, because we are a fixed price and – in our case fixed means fixed, it is a 20-year fixed rate – we are the ones taking all the market risk. Therefore, we have the benefits of ownership. You do not. You have a fixed price from us.

Because we don't allow enough control to pass (i.e. we control the actual design, we are in charge of operating the project, we have the ability and the discretion to start and stop those turbines), because we meet all those tests in that part-two analysis, we're not a lease. It's important you understand point by point how we do that and how our agreement meets those requirements. We have a guidance document that matches our Renewable Energy Agreement, clause by clause, to the applicable clause in the appropriate FASB guideline tests. That's what you can use to help write your white paper.

9. Do the Big 4 agree with you?

Our projects have been audited (or the determinations, rather, of our customers that these projects are not leases has been audited) by three of the big four. The fourth of the big four happens to be our accounting firm and they agree with us. So, all the big four have either directly or indirectly seen this and they are all comfortable that our particular Renewable Energy Agreement does not meet the definition of lease. Obviously, you must get a case-by-case determination. Obviously, you'll have to go through your own



procedures to write your own white paper. But we can help you expedite that process by getting you in touch with the right experts at each of the Big 4.

10. Do you have literature to support your statements?

We have literature that's designed to make your life easy doing this. We can't write the white paper for you, we can't come to the conclusion for you, but we have all the documentation necessary for you to do a point-by-point match to both current and future FASB requirements to come to the conclusion that this is not a lease.

11. Are companies typically writing a white paper on this?

Almost all our customers have written a white paper on this at least the first time they've done a project. As you know, it's a good practice to have a white paper any time you do something new. Typically, that's the way most companies deal with this and often they'll get informal buy-in from their auditors prior to approving the project.

12. What about non-FASB standards like IFRS?

Both IFRS and FASB have ties back to the same writing committees and the same groups, and generally have consistent standards. While there are some unique variations in each of those two standards as you work throughout the world, in most cases (and in all cases we've analyzed), the differences are not significant with respect to the test to determine if it's a lease. Under both IFRS and FASB (both current and the next revision planned) our contract is still a lease.

13. Is this a lease under the UCC and do I need to consider that?

Most states that adopt the Uniform Commercial Code adopt the definition of "lease" contained in the Uniform Commercial Code. That definition is exceedingly broad; it is not an accounting definition, it is not a GAAP definition, it does not tie back to any national consensus accounting standard. It is purely a legal definition used under state law in the Uniform Commercial Code. When you do your analysis, the IFRS, FASB, or other guideline that you operate under to determine generally accepted accounting principles is the appropriate guideline to use. UCC is not material to the accounting analysis of this project.