



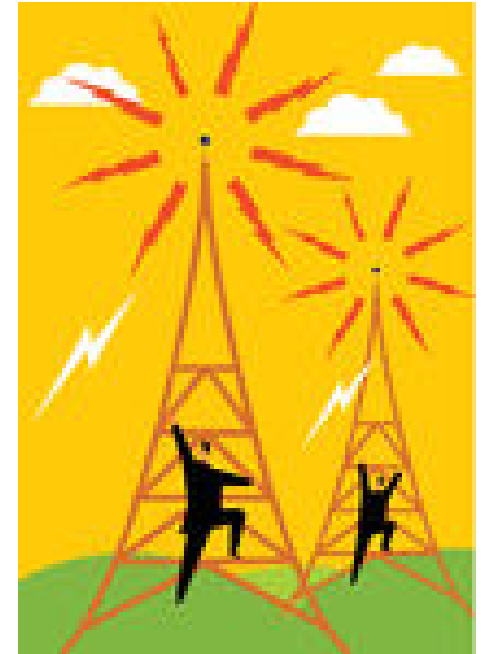
Fundamentals of Power Purchase Agreements



Blaine Collison
Steve Krebs
September 23, 2013

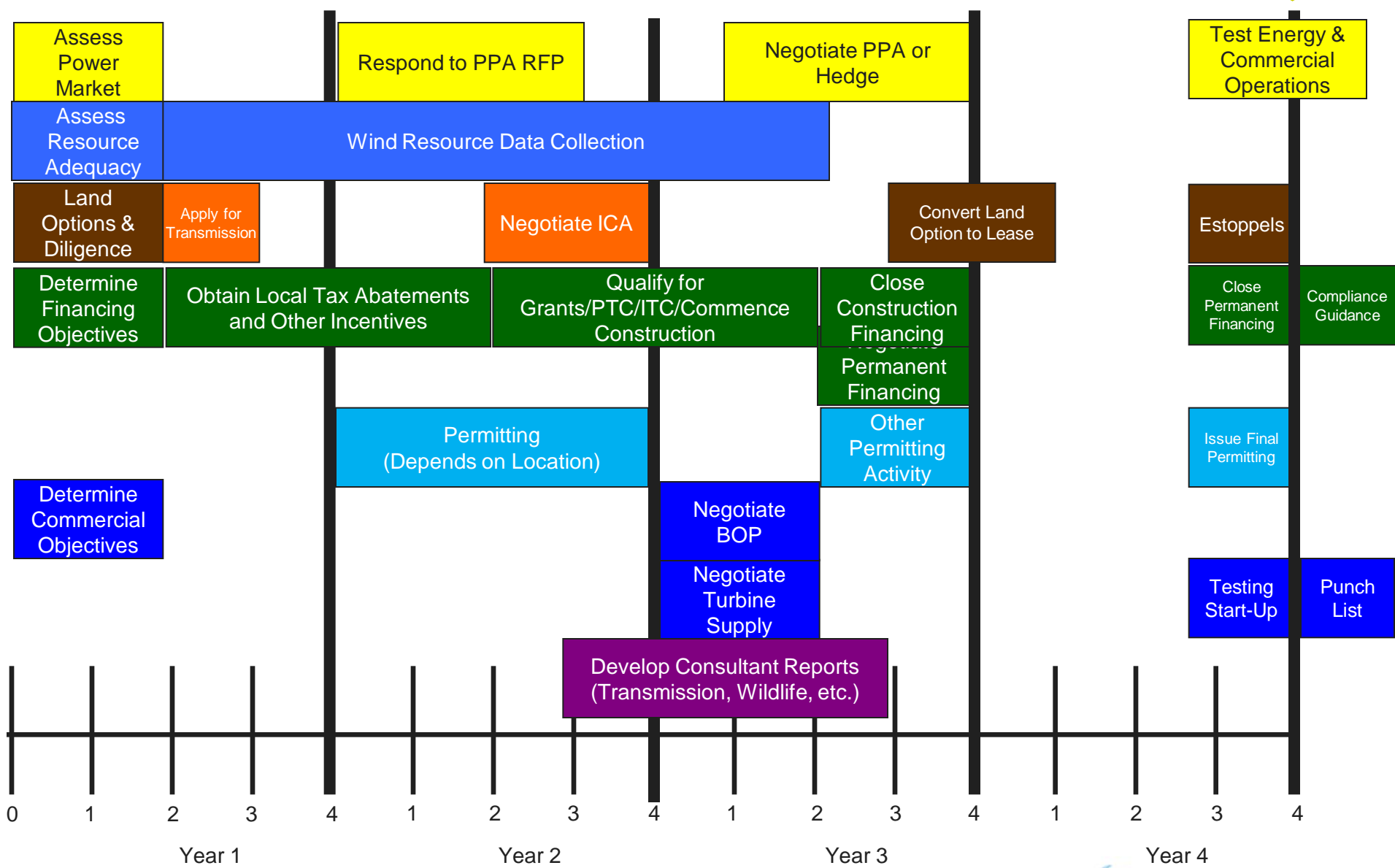
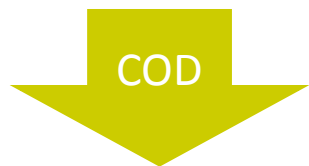
□ Top RFP Matters

- Opportunity Sought
 - Wind, solar, other resource
 - Amount, New Build, Location, Schedule, Etc.
- Responsibilities of Buyer/Seller
- Instructions to Bidder
- Information Required
 - Sponsor & Project info, congestion, technology, interconnection, milestones, financing
 - Pricing, variables, production profile
- Treatment of Exceptions
- Reservation of Rights



Timeline for Wind Development Tasks

(Activities & Duration are Indicative & will Vary by Project)



□ Managing RFP and Procurement Process

Due Diligence

Run a structured process

Consider more than just the headline numbers



Due Diligence

Don't believe unreasonable numbers

Ask questions like you're buying the asset

Due Diligence

Get to know the people and the company, not just the project

Look for a track record of success

Do they have the capital and capability to get it done?



□ Key PPA Issues – What’s Sold?

Contract Price. During the Term, Buyer shall pay to Seller the Contract Price, and “Contract Price” shall mean ___ Dollars (\$__.00), escalated by __% per annum for each MWh of Net Electric Energy actually produced by the Project and delivered by Seller to the Delivery Point and the Credits and Project Capacity associated therewith.

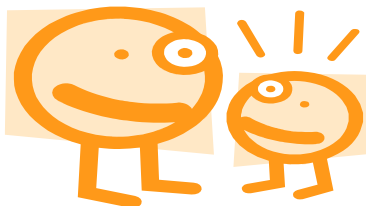


Delivery Point means the high-side of the transformer at the substation to be built by Transmission System Owner next to its new 69 kV switching station, as set forth in the Interconnection Agreement.



□ Key PPA Issues – What’s Guaranteed? Availability, Output

- **Required Annual Availability and Shortfall Damages.**
- **Required Availability.** Seller guarantees that the Biennial Availability shall be equal to the Required Availability [*i.e. ___ % of Projected Output*].
- **Shortfall Damages.** If the Biennial Availability falls below the Required Availability (an “Availability Shortfall”), Seller shall pay Buyer “Shortfall Damages” calculated in accordance with the following formula:



Shortfall Damages = (Cost to Cover) x ((Required Availability)-(Bi-Annual Availability)) x (Expected Annual Energy Output) x (Project Capacity / ___ MW)

- **“Biennial Availability”** means, for each Measurement Period, the ratio, expressed as a percentage, of the difference between (i) 1, and (ii) the quotient of (a) Seller Controllable Hours for all Project Turbines, divided by (b) the product of (X) the total number of hours in such Contract Years, multiplied by (Y) the number of Project Turbines.

□ Key PPA Issues – What’s Guaranteed? Availability, Output (cont.)

“**Seller Controllable Hours**” means, for each Project Turbine, the total number of hours during which such Project Turbine was unavailable to generate electricity due to such Project Turbine being paused or withdrawn from use by Seller for reasons other than those covered in the definition of Seller Uncontrollable Hours.

“**Seller Uncontrollable Hours**” means, for each Project Turbine, the total number of hours during which the relevant Project Turbine was unavailable to generate electricity due to:

- (i) an Emergency or Force Majeure event;
- (ii) a Directed Curtailment;
- (iii) the electric transmission system to which the Project is interconnected operating outside the defined voltage, frequency limits, or other operational parameters of the Project Turbines or if such system is otherwise unavailable;
- (iv) a Planned Outage; and
- (v) a Weather Event.



□ Key PPA Issues – Who Can Curtail?

Buyer-Directed and Transmission-Directed Curtailments.

- Buyer may, at its sole election, direct Seller to curtail all or any part of the deliveries of Net Electric Energy (“Buyer-Directed Curtailment”): Buyer shall stipulate the curtailment level to a not to exceed MW output level, and Seller shall cause the Net Electric Energy to be curtailed to the level specified.
Buyer will provide notice to Seller for both Buyer-Directed Curtailments and Transmission-Directed Curtailments. Upon receipt of curtailment instructions, Seller will cause the output of the Project to be curtailed as required by the Operating Procedures..
- During such curtailment, Seller shall keep accurate records of such Curtailment. Seller shall collect interval wind data at the appropriate permanent meteorological tower(s) for each Project Turbine curtailed during such curtailment period.



□ Key PPA Issues – Who Pays in Curtailment?



- For each Buyer-Directed Curtailment and any Compensable Transmission-Directed Curtailment, Buyer shall pay Seller such amounts that Seller would have received from Buyer under this Agreement had production of the Net Electric Energy not been so curtailed and the cash value of any PTCs to which Seller is entitled but does not receive.
- No such payment will exceed (the “Curtailment Payment”) the sum of (1) the product of the total lost production (in MWh) for such curtailment multiplied by the Contract Price, plus (2) an amount equal to the Production Tax Credit to which Seller would have been entitled due to Buyer-Directed Curtailment or Compensable Transmission-Directed Curtailment, as applicable, plus (3) a gross up amount to take into account the tax to Seller on the amount in (2) in lieu of the Production Tax Credit

□ Key PPA Issues – What to be Built & When? Inspect, Milestones

- **Progress Reports.** Commencing upon the Effective Date, Seller shall submit to Buyer, on the first Business Day of each calendar month until the Commercial Operation Date, progress reports in a form reasonably satisfactory to Buyer.
- **Buyer's Rights During Construction.** Buyer shall have the right, to monitor the construction, start-up and testing of the Project. Seller shall cooperate in such physical inspections of the Project as may be reasonably requested by Buyer during and after completion of construction



- **Milestones; Commercial Operation Date.** Seller shall take all commercially reasonable steps necessary to ensure that XXX occurs not later than _____ and the Commercial Operation Date occurs no later than _____.


□ Purchase Commitment Structures

- **Traditional renewable energy power purchase (physical delivery of energy + RECs) through REP (which could be affiliated with Generator or Customer):**




Physical Energy Delivery	Physical Delivery of Energy to Buyer. Buyer must take energy as available
Payments	Customer pays Fixed Price (often escalated annually).
RECs	RECs bundled with Energy and delivered to Customer.
Customer Economic Benefits	Lock in low cost of renewable energy, hedge against GHG/Environmental/Energy
Additionality	Allows new RE projects to be built/financed
Term	15 to 25 years
Documentation	Negotiated bilateral agreement


Our network of energy entrepreneurs




Marty Yahner
Board Member, Farm Bureau
• Sixth generation of Yahners to farm and live in the Patton community.




Doug Price
VP Power Systems, Garrad Hassan
• Doug's family has been on the farm for more than 100 years
• His Mom was born on the land in the house




David Healow
Anesthesiologist
• Native of Billings, MT




David Malleck
Investment Advisor, Raymond James
• Grew up on a farm in NE that has been in his family since the 1800's.



Joel Bannister
Associate, Patton Boggs LLP.
• The Bannister family have been farming and ranching in Rush County for over 100 years



David Savage
Systems Consultant, Etherios
• Grandfather bought the land in Blackwell in 1912



Jimmy Horn
Nuclear Engineer
• Family has been living in the community for over 50 years

► OwnEnergy cultivates local champions to initiate projects and manage local development



Projects completed



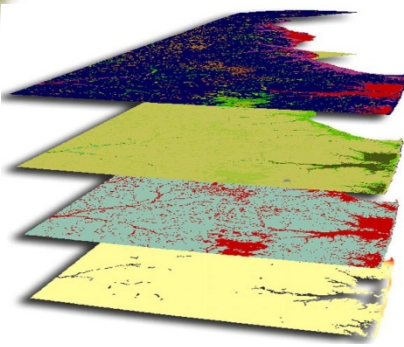
Pipeline
 ~ 25 Projects
 >1,400 MW
 >700MW '13 / '14



Local Partners
 Breakthrough model
 for local ownership

Standardization
 Best-in-class developer
 of mid-sized
 renewables

Project	State	MW
Carroll Area Wind Farm	IA	21
Windthorst 2 Wind Farm	TX-N	65
Two Dot Wind Farm	MT	10
Alexander Wind Farm	KS	50
Copenhagen Wind	NY	80
Ivester Wind Energy, LLC	IA	90
Ringer Hill Wind, LLC	PA	37
Iron Road Wind Farm	OK	70
Muenster Wind Farm	TX-N	106
SummitWind Farm	SD	90
Green Mountain Wind Farm	VT	18
Magnet Wind Farm	NE	80
Freer Wind Farm	TX-S	62
Total		779
Average		60



60MW Blackwell
Wind Farm

51MW
Windthorst-1
Wind Farm

30MW Patton
Wind Farm

Proven
 3 projects & 140 MW
 spinning



Thank you!

Steve Krebs
Vice President
OwnEnergy, Inc.
Phone: 713.562.6877
steve.krebs@ownenergy.net
www.ownenergy.net