GreenSky Development Group

January 12, 2024

Mr. Randy Brown
Finance and Operations Officer
State College Area School District
240 Ville Crest Drive
State College, PA 16801

RE: Power Purchase and Retail Services Agreements Overview

Mr. Brown,

GreenSky Development Group LLC ("GreenSky") has completed the structuring and negotiation of the following agreements for the benefit of State College Area School District ("SCASD") and the broader participating group of local governmental, municipal and utility entities. All agreements will be signed individually by all entities.

Prospect 14 – the solar project developer

1. <u>Power Purchase Agreement (PPA) Master</u> – governing the purchase of power from a solar generation asset located in Centre County

Direct Energy – the retail supplier

2. <u>PPA Servicing Agreement</u> – governing the retail services required to manage the PPA within the wholesale electricity market
3. <u>Retail Commodity Master Agreement (CMA)</u> – providing general terms and conditions that apply to both the Servicing Agreement and the TC
4. <u>Retail Electricity Purchase Transaction Confirmation (TC)</u> – governing the ultimate sale of electricity to SCASD and each other individual entity at First Energy node on the PJM wholesale system

All Parties – SCASD et al, Prospect 14, and Direct Energy

5. <u>InSchedule Agreement</u> – acknowledgement by all parties involved (SCASD et al, Prospect 14 and Direct Energy) that they will cooperate for the benefit of the purchasers to ensure the generation amount and economics are provided to the Purchasers

Documents 1, 2, and 5 are attached hereto for review by the participating entities. Documents 3 and 4 – are standard transactional documents that 11 of the 12 organizations are familiar with through their current contracts. These documents will be shared prior to the January 24th meeting.

The expectation is that each entity will approve the use of these agreements in the form that has been negotiated and finalized with the counterparties. Any changes to the agreements after the date of this notice that are not agreed to by GreenSky will need to be negotiated directly by each entity with the counterparties.

Prospect 14 PPA Master Overview

The PPA commits certain electrical energy generated by the solar project to each entity based on the volume commitments provided by the working group. The key terms under this agreement are as follows:

6. The term of the PPA is 15 years and starts on the first month electricity is delivered and billed.
7. The planned project is located in Hubersburg on Misty Meadows Lane.
    - Should the project fail to obtain the necessary permits to construct or any other of the listed events in Section 7.3, the Seller is required to replace the planned project with another project keeping all other terms the same unless agreed to by the Purchasers.
8. The volume commitment expressed in terms of MW (not MWh or kWh) will be converted into a percentage (%) of the overall generation capacity. This means that each entity will receive a fixed % of kWh generated each month which will depend on the amount of sunlight received by the system and converted into electricity.
9. The PPA requires the Seller to achieve a Commercial Operations Date of October 31, 2026 at the latest. If not achieved, the Seller will pay damages until June 31, 2027, after which the PPA can be terminated with no further liability.
10. In the event the PPA is terminated for any reason, the Direct Energy and Tri-Party Agreements would also terminate.
11. All Purchasers can terminate the PPA if they are required to become wholesale entities or the PPA is designated in the future as a swap instead of the physical sale it is structured to be.
12. There are two primary pathways to a default by a Purchaser:
    - Nonpayment under the PPA
        - Failure to pay the monthly bill (which Direct Energy will be paying on our behalf)
        - Failure to post any required credit (this would apply only to downgrade events – all entities are credit approved currently and are not required to post credit)
    - Loss of Direct Energy's services
        - Direct Energy terminates the Servicing Agreement (for convenience)
        - Customer default
13. The remedy for default is the payment of the net present value of the remaining contract term estimated payments less the value of replacement sales of generation either into the PJM wholesale spot market or to another party. Early defaults will be more costly than later defaults since the remaining contract term shortens with time.
14. A Purchaser Curtailment provision (Section 2.5) has been negotiated to limit the default potential should Direct Energy terminate the Servicing Agreement. In that event, the Seller has agreed to allow the Purchaser to pay the difference between the PPA purchase and the revenue the Seller

will receive from the PJM wholesale market at the Project interconnect, essentially keeping all parties whole while the Purchasers seek to replace Direct Energy's services.

- If no replacement is found after 12 months, and the project owner's debt providers decide to call on their loan as a direct result of the lost services, the purchasers can be placed in default triggering the remedy described above.

15. Similarly, if the Seller fails to deliver electricity on any day or hour, they will pay the Purchaser the difference between the PPA cost and the PJM wholesale market price at the delivery point.
16. The Project is committed to ensuring that no less than 80% of the capacity expected by the generator will be available at all times to limit the low side of kWh generated. The Seller will pay damages if the system is not available at that level.

Direct Energy Agreements Overview

The Servicing Agreement is designed to handle the transfer of generation from the Project to each Purchaser. Given the nature of the wholesale market, Purchasers will not receive the exact same kWhs that are generated. The generation will be scheduled to Direct Energy by Prospect 14 and then sold by Direct Energy to PJM at the hourly wholesale spot price. Direct Energy will account for any difference between the cost of the generation billed through the PPA and the credit generated by the sale to PJM in an Energy Rate adjustment to the retail electricity sold by Direct Energy to each Purchaser at the First Energy (West Penn) node under the TC.

Servicing Agreement can be summarized as follows:

- Direct Energy will set up a sub-account under their main wholesale account to receive the generation scheduled to it by the Project. All Customers will have access to this account to monitor the generation and compensation/costs incurred. (Note: it is expected the group will have a consultant to monitor the transaction.)
- Direct Energy will accept the scheduled generation each hour.
- Direct Energy will pay the monthly PPA bill on each Purchaser's behalf.
- The generation will receive compensation from the PJM for the same amount in kWh at the hourly wholesale spot market rate.
- The expected PPA cost and PJM compensation (as well as any other fees or costs) will be estimated by Direct Energy annually to determine the Energy Rate that will be fixed for the year as an adjustment to the energy price determined in the TC.
- Actual PPA cost and PJM compensation will be trued up at the end of each year and included in the next year's Energy Rate calculation.
- Direct Energy has a "termination for convenience" clause that was Unavoidable despite continuous effort to remove it. Should they decide to terminate for convenience or for reason of Customer default, the Purchaser Curtailment provision under the PPA will kick in and the group will seek to replace Direct Energy's services.

The TC is linked to the Servicing Agreement through the Energy Rate and is co-terminus. The TC will be price at the PJM spot market so the fixed price of the PPA can effectively translate to the final bill. Otherwise, the TC (and the CMA) will be the same structure as the group has always had for competitive electricity purchases.

InSchedule Agreement Overview

The InSchedule Agreement is the least complex agreement of the suite. It is simply an acknowledgement by all parties involved that they will work together to ensure all Purchaser/Customer obligations are met under the PPA and Servicing Agreements. There are no separate obligations, costs or damages in this agreement.

Of note, the InSchedule Agreement reiterates clearly that if the PPA is terminated, all other agreements would terminate. However, if the Servicing Agreement terminates, the PPA will not terminate without default. The PPA is the only agreement with a large upfront capital investment implied within and the capital partners (whether debt or equity) need to be protected from the outright loss of their investment.

Final Steps

Please review each agreement in detail and do not rely solely on this summary of terms. Each entity should obtain approval to utilize the agreements and communicate such approval back to the lead working group by the end of February 2024. At that time, the form of each agreement will be replicated, populated with individual entity information, and routed for signature.

It has been a pleasure to serve this group in such an important purchase. You have a wonderful roster of professionals on task, and I am certain this purchase will serve you well over the next 15+ years.

Best Regards,

Gregg C. Shively
Principal – GreenSky

Cc: Elaine Wilks, Principal
Bernd Schaffler, Principal