

Letter of Intent  
New Paltz Community Microgrid Joint Collaboration

This letter expresses the undersigned parties (“Party/Parties”) mutual intent to jointly collaborate toward development of the New Paltz Community Microgrid Project (“Project”). Specifically, the Parties intend to:

- 1) Plan and develop a Project similar to that described in the Project NY Prize Stage 1 study;
- 2) Establish a public-private partnership (“P3”) to develop, own, and operate the Project and related sustainable energy initiatives; and
- 3) Seek and obtain financial and in-kind support for ongoing efforts on the Project, including but not limited to NYSERDA NY Prize Stage 2 award.

*Phase 1 Efforts Completed:* From August 15, 2015, through August 2, 2016, Project activities focused on Phase 1 development, most notably solicitation of an NY Prize Stage 1 award, development of preliminary project technical design and operating structure, and execution of NY Prize Stage 1 feasibility analysis.

*Phase 2 Efforts Commenced:* Project Phase 2 activities began on August 3, 2016, including coordination and planning among the Parties, researching and analyzing Project funding options, and developing a NY Prize Stage 2 grant application.

The Parties understand that Project-related activities incur real costs in terms of labor, subcontracted services, fees, and other expenses, and that each Party bears a substantial financial risk in the absence of external funding commitments. The Parties further understand that during Phase 2 development, many Project details must be finalized, including total Project costs and financial model details.

Accordingly, the Parties intend to support Project work on the following basis:

- A) *Good-faith joint collaboration:* The Parties are jointly collaborating to develop a viable Project, and intend to continue good-faith efforts to achieve Project viability. If and when the Parties’ efforts yield a proposed Project that reasonably can be expected to achieve financial closing and deployment, the Parties intend to implement the Project as proposed.
- B) *No implied obligation:* The Parties intend that no Party should be obligated to pay the expenses of another Party, except as required by paragraphs C, D, and E below, or by separate written agreement.
- C) *Deferred compensation:*
  - i. Each Party intends to defer compensation for accumulated costs until such time as funding is obtained to compensate accumulated costs.

- ii. Each Party intends, on an ongoing basis, to identify and accumulate its Project costs incurred after August 2, 2016,\* in accordance with each Party’s usual and customary rate schedules and accounting practices. (*See attachment A, rate schedule*).
  - iii. The Parties anticipate that funds from Project financial closing will be used to compensate the Parties for their remaining accumulated costs. Accordingly, in the absence of separate agreements establishing other compensation, the Parties intend for remaining accumulated costs at the time of Project financial closing to be senior obligations paid from Project funds.
- D) *Equity conversion*: The Parties intend that each Party may, at Project financial closing, convert any or all of its remaining accumulated costs into project equity, on terms to be defined during Phase 2 development.
- E) *Breakage fees and costs*: The Parties understand that their joint efforts toward the Project will incur both actual and opportunity costs, and will produce intrinsic value that will benefit the Project or any substantially similar project.†† Accordingly, the Parties intend for remaining accumulated costs and associated breakage-fee obligations to survive project cancellation and become senior obligations for any substantially similar project involving any of the Parties. For example, if for any reason the Project is canceled, and within a period of X years any Party enters an agreement to implement a substantially similar project, the remaining accumulated Project costs and associated Y breakage fees should be compensated by the substantially similar project. (X and Y are terms to be defined by the Parties in a binding memorandum of agreement.)

The Parties intend for this letter of intent to enable continued Project efforts, and to provide the basis for formal agreements among the Parties.

[SIGNED]  
[FOR]  
[DATE]

[SIGNED]  
[FOR]  
[DATE]

[SIGNED]  
[FOR]  
[DATE]

\* *Note*: Funds from the NY Prize Stage 1 budget (\$100,000) were applied toward the costs incurred by the Stage 1 technical team – Microgrid Institute, Hitachi Consulting, Green Energy Corp., and TeMix Inc. – to execute the deliverable requirements of the NY Prize Stage 1 program through August 2, 2016. The technical team incurred substantial costs through August 2, 2016, that were not compensated under the NY Prize Stage 1 effort. However, members of the technical team absorbed these costs, and no further financial obligations remain for Project Phase 1 costs.

†† The Parties intend to define “substantially similar project” as part of a memorandum of agreement. Prospectively, “substantially similar project” may be defined as any system or service arrangement that enables resilient energy supply for customer loads identified in the proposed Project.