Versant Power Proposed Commercial Terms for a 30-year PPA and Transmission Service Agreement (TSA)

Versant Power ("Versant") strongly supports the Maine Public Utilities Commission's and State of Maine's efforts to expand renewable and low carbon generation in northern Maine and will work with the Commission and others to ensure this initiative is successful. As a result of the February 3, 2023 Order, the Commission has found the LS Power and Longroad Energy bids to be in the public interest, and for that reason, Versant is reaching out to initiate discussions on the various contracts, and the terms it expects to protect its customers. These two contracts will be an order of magnitude above any current Commission approved long-term (PPA) contracts and involve higher ratepayer cost and project risk than prior Commission-approved contracts. In exercising its business judgment, experience, and prudent judgment, Versant believes it is reasonable and necessary that a long-term power purchase agreement and TSA of such a substantial magnitude will include the following terms:

1. Versant's Maine Public District (MPD) customers do not pay for either contract until the MPD is interconnected with the ISO-NE system or otherwise receives the direct benefits of those contracts, including delivered power, price suppression, and renewable power.

2. In general, contract payments to the generator and transmission provider begin only upon delivery of power.
    a. Payment for delivered MWhrs per typical Maine PPA.
    b. Fixed price contracts with schedule for charges.
    c. Project-on-project risk to customers is managed through payment under both contracts only when power is delivered.
    d. Specifically, no TSA payments until the transmission line is fully operational, and power is actually being delivered.
        i. Penalty for not hitting capacity factors in on- and off-peak reflected in the typical output profile that must be included as an attachment to the PPA.
        ii. Cap on the $ per MWh costs of transmission together with a minimum generation amount.
        iii. If any capacity factor shortfall is extreme, then customers shouldn't be taking volumetric risk on transmission. Transmission capacity shortfalls paid to ratepayers to reduce the rate costs.
    e. If Sellers do not meet guaranteed COD, then daily Delay Damages accrue at $X per MWh to be paid to Maine customers to reduce the costs of these contracts in rates.
    f. Maine customers protected against a generation capacity shortfall with a penalty for not hitting the capacity factor in the PPA.
    g. Delay damages applying to capacity deficiencies.
    h. If there are any delivery shortfalls, then Seller pays to Versant (and Versant credits to customers) Cover Damages equal to the additional cost of replacement power plus any transmission costs associated with delivering such power to Versant load.

    i. Customers must also be covered regarding payments under the TSA.

i. The Seller shall provide progress reports to Versant detailing progress towards critical milestones.

j. If Seller terminates prior to COD, then it owes Versant any Delay Damages outstanding and loses its entire security. This does not limit Versant relative to other remedies at its disposal.

3. The generation contract follows Maine PUC standard for long-term contracts, including:

    a. Contract payment for delivered MWhrs; no payment until power delivered.
    b. Fixed price /PPA costs with schedule for charges.
    c. The PPA is a fixed price contract including all environmental attributes for delivered power that were included in the bid.
    d. The PPA includes all ISO-NE capacity addressed in the bid and separately all state defined capacity, if differently defined under the bid and long-term contracting precedent.
    a. Generator is obligated to pay for any increase in ancillary service requirements for Maine customers due to injection of 1 GW of wind in the state.
    b. Because there is no internal point-to-point transmission service in New England, the generator has the obligation to ensure that, if other generators subsequently interconnect, than any resulting congestion and basis risk is the obligation of the Project Developers and not borne by Maine customers.

4. Under the TSA, the transmission developer carries the merchant risk, not customers.
    a. TSA payments begin once the MWhrs are delivered to Maine customers at the point of interconnection. Maine customers do not accept project-on-project risk.
    b. Fixed price TSA costs with schedule for charges.
    c. The transmission developer, having done its due diligence, to carry the development risk including, but not limited to, permitting, financing, equipment acquisition, and labor and capital cost increase. Versant's customers should not backstop developer's risk.
    d. Merchant project: no construction work in progress; payments only when power is delivered to Maine customers.
    e. Merchant project: no abandoned plant if the project is abandoned.
    f. Delay damages for late COD or capacity deficiencies at COD.
    g. Cover damages for non-delivery for utilities to cover non-delivery of energy, including replacement energy, replacement environmental attribute payments, and replacement transmission service costs where applicable.
    h. The transmission developer pays any and all upgrades subsequently assigned to it by ISO-NE under any operating agreement or otherwise.
    i. Transmission developer signs Transmission Operating Agreement (TOA) as a contracting party to Versant obligations to ensure transmission performance is enforceable by Versant.

   j. Transmission developer required to use generally used/accepted practices in operation/maintenance of the Project.

5. Security is posted separately for construction and operations, respectively, in accord with the Commission's security requirements.
   a. Security must be sufficient to address customer risk of non-performance.
   b. Separate security during construction and operations in both the PPA and TSA.

6. The cost recovery structure for costs incurred in negotiating, administering or related costs caused by this project should be clear in both contracts and approved by the Commission as developer costs or costs in the stranded cost docket.
   a. Cost recovery through direct charge to developers where specified by the Commission; alternative or unallocable costs recovered through stranded cost reconciliation filings if developers do not pay for negotiation and administration costs.
   b. If the EDCs are contractually obligated to pay the contract costs to either provider in advance of recovery in stranded cost rates, carrying costs sufficient to reimburse actual carrying costs need to be expressly negotiated and provided for as these will be significant cash flow demands.
      i. For example, a TSA will incur FERC counsel expense to negotiate, file, and approve; the EDCs are necessary parties, in fact, indispensable parties.
      ii. Protections for customer cost: Are the EDCs expected to be the lead market participant for energy, for capacity?
      iii. Protections for customer cost: Are the EDCs expected to pay negative pricing when wind/solar generation drives prices negative?
   c. Cost recovery process must be sufficient to not impact EDC working capital, cash flow, ability to conduct utility operations.
   d. Protections for customer cost: Credit rating impact needs to ensure no negative impact that would impact customers.

7. The Maine contracts become effective no earlier than the effective date of the Massachusetts EDC contract for 40 percent of the offtake.
   a. Maine customers only at risk for 60 percent or less of both projects.
   b. Terms bind the MA EDC parallel to Maine so risk is not shifted to Maine customers for MA EDC non-performance, termination, etc.
   c. Delivery should be pro-rated. That is, if generation or transmission is de-rated, then 60/40 split holds for what is delivered.
   d. Effective date binding upon all off takers, post-approval by the Massachusetts Department of Public Utilities.

8. Any use of Versant EDC assets or plant, including transmission corridors by either developer, will be addressed in a separate lease, sales or other agreement at market terms and market prices for such utility assets. The TSA and PPA will not address lease,

use, or terms of Versant EDC assets or property.

9. The unused portion of the transmission capacity *(i.e.,* capacity over 1,000MW, other unused transmission capacity) should be subject to FERC Open Access Principles.