April 21, 2014

VIA ELECTRONIC MAIL
(Original via USPS)

Jasper Municipal Utilities
Attn: Bud Hauersperger, General Manager
P.O. Box 750
610 Main Street
Jasper, Indiana 47547-0750

RE: JCEC Monthly Development Activity Report
And Notice of Lease Termination Effective June 20, 2014

Dear Bud:

During the Month of March, Jasper Clean Energy undertook a review of the economic feasibility of the proposed Jasper Clean Energy Center in light of:

- Continued advancements in the establishment, yield, harvesting and logistics of the proposed Miscanthus supply (Biomass);
- JCEC cost efficiencies utilizing the existing steam turbine generator/condenser/cooling water system and City water supply/waste water treatment facilities;
- Continued decreases in price of alternate sources of renewable energy generation (Wind and Solar);
- Abundance of relatively inexpensive US natural gas reserves and future production (Shale Gas);
- Closing of the older coal fired plants in the region (to be replaced by generating units more efficient than the proposed JCEC due to scale economies);
- Limitations of the Jasper Power Plant Site (transmission limited and requirement for a new high pressure natural gas pipeline and compression);
- Completion of new lower effective cost and more efficient "large scale" natural gas combined cycle power projects; and
- Lagging regional electric demand growth driven by the lackluster US economic recovery, low natural gas prices and the push by the IRUC during the past few years requiring Electric Utilities to promote more commercial and industrial energy efficiency.

The review looked at the Jasper Clean Energy Center (JCEC) as proposed and as a standalone natural gas combined cycle power plant using the existing steam turbine/condenser and other facilities to lower costs. (The standalone combined cycle case allowed for the addition of the biomass driven renewable energy component to be constructed later should the market develop.)

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Our due diligence has been conducted independently of, and without regard to recent litigation that was resolved in favor of the City of Jasper. We feel highly confident the JCEC as proposed would be granted all necessary permits by the Indiana Department of Environmental Quality for the construction of the Project.

When the JCEC was initially proposed to the City of Jasper the cost of Solar PV generated electricity was 20 to 30% higher than the cost of producing renewable energy using biomass in the existing power plant. Advances in PV technology and construction techniques are now producing electricity at half the proposed biomass based cost of electricity over the life of the Project. Additions to existing Wind Projects in IN can produce electricity at costs comparable to the marginal cost of coal based power generation. These lower costs now provide utility renewable energy buyers with lower cost options than JCEC to meet their regulatory and social renewable energy requirements they might have now or in the future.

The proposed combined cycle portion of the JCEC is designed using the largest, most efficient, natural gas turbine generator (48 MW) permissible to keep the Project (a total of 75 MW) under the 80 MW limit imposed by the existing Vectren 69 kV Transmission System serving the City. This turbine generator when combined with a Heat Recovery Steam Generator and the existing 15 MW steam turbine produces electricity at almost 50% efficiency (conversion of fuel energy into electric energy). While the JCEC turbine generator in combined cycle is "best in class" at this size, the competitor plant of choice is a much larger 600 MW to 800 MW combined cycle generator with an efficiency of approximately 60% at full load. Not only can this much larger plants produce electricity at a much lower variable cost but it takes approximately the same labor to operate and maintain these power plants as the proposed 58 MW plant. Further due to scale economies these larger power plants can be constructed for approximately 20% less expensive on a $/kW basis.

The Market Price for electricity in the MISO is driven by the marginal (variable) costs that go into producing a kilo-watt-hour (kWh) of electricity. Of the marginal costs, fuel makes up approximately 85% to 90% of the cost. When JCE was first proposed the supply of natural gas in the US was of great concern, with over a dozen LNG Import Terminals planned to be constructed to import LNG from overseas. The advent of horizontal drilling and hydraulic fracturing in the massive Shale Gas Structures in multiple regions of the US has drastically changed the natural gas supply outlook in the US. The question in the US is not if there is enough natural gas for the next 50 years but what price is needed to drill the wells to produce the natural gas. It is generally considered that a price of $3.75 to $4.50/MMBtu is required to induce natural gas drilling and production. This is supported by the futures price of gas for IN (using the Chicago City Gate Price as a proxy) which is expected to trade between $4.00 and $4.75 between now and the year 2024. This natural gas price is driving futures based electricity prices to fall within an average price range of $40 to $48/MWh (4.0 to 4.8 cents/kWh) during the same period. The futures prices for electricity and natural gas indicate that the marginal generator producing electricity on average will have an efficiency of approximately 38%. While the

proposed JCEC at 50% efficiency is much better than the average MISO Unit setting the price, the low natural gas prices do not provide sufficient Gross Margin to make the JCEC

economically feasible as a standalone "merchant" generator (pay O&M costs, taxes, loan payments and return on investment) and the larger competitor generators are more efficient and cost materially less over their lives.

We are confident that the JCEC, if bought online would have provided its customers with demonstrably cleaner energy than the legacy coal-fired plant. If market conditions ever change to make JCEC an economically viable concept again, we would be happy to take another look at that time.

Given the above described economic situation, Jasper Clean Energy, does not see the future economic viability of the Jasper Clean Energy Center under current and projected market conditions. Jasper Clean Energy LLC is providing a sixty (60) day notice to the City of Jasper Indiana of the Lease Agreement between Jasper Clean Energy and the City for the long term lease of the Jasper Coal Plant and associated property. (Jasper Clean Energy is further withdrawing its proposal to purchase the adjacent property from the City, effective immediately.) Such termination of the Lease to be effective sixty 60 days from the date of this notification (June 20, 2014).

It has been a pleasure during the past 4 ½ years to work with the Mayor, the City Council, the Utility Service Board, the Municipal Utilities General Manager and the Citizens of the wonderful community of Jasper Indiana.

Sincerely,
Jasper Clean Energy LLC

J. Patterson

By Renewable Technology Integrators, LLC
Its Sole Member

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