

MINUTES
HAMMOND SANITARY DISTRICT
BOARD OF COMMISSIONERS SPECIAL
MEETING
NOVEMBER 30, 2022
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The Board of Sanitary Commissioners of the Sanitary District of Hammond, Lake County, Indiana held a special meeting at 3:00 p.m. in the Conference Room of the Administration Building located at 5143 Columbia Avenue, Hammond, Indiana.

Vice-President Dye called the meeting to order at 3:00 p.m.

Commissioners Present: Dye, Hawkins, Miller , Rubio

Commissioners Absent: Dimopoulos

District Personnel Present: Marty Wielgos, Chief Executive Officer
Joseph Allegretti, HSD Attorney

Kaleigh Boyle, HSD

District Personnel Present via Telephone: Rachel Montes, Business Manager

Others Present: Heather Garay, Leopardo

The meeting started with the Pledge of Allegiance.

Vice- President Dye stated he is going to throw floor back to Marty.

Marty thanked Heather Garay from Leopardo for being here on very short notice. As indicated, his group here, Heather and a couple of her folks met just before the holiday to go over a three-option plan. She explained it really, really well and in great detail, but also in a way that made a lot of sense for them to make a decision on what they want to do, if they want to continue moving forward and all of that. He told Heather he is going to turn it over to her because she does it so well.

Heather explained she did just run over here, so she does not have all of the material in front of her. She is pulling up what she has now, but she wants to know what the Board has in front of them so she is not speaking to anything they are not aware of.

Marty answered all they have is today's meeting agenda.

Heather said okay. She wants to back up to the meeting they had with the District administration. They finally got some of the final pieces of the puzzle in the last couple weeks here. As the Board all knows, they were waiting on some final numbers with costs specifically from Nipsco and their component of the project and getting in the off taker revenue side of the renewable natural gas bids. While Nipsco's price did come in a little higher than they hoped it would. For the connection for the pipeline itself , it is a little over 5 million dollars investment. There, on the

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other hand, what they believe and call the RIN which is the renewable natural gas investment value essentially for the component of energy that they would be selling from the Plant, that number also came in higher. So, that means the project can self-fund more scope and take on some of that heavier burden of Nipsco. What they have seen through this period with really no fault to anybody. Everyone has been working very hard and has been very responsive to her team and the Donohue team and Mike Hickey working with their engineers. They are in a strange place with the market and costs going up and they do not foresee that changing any time soon. They have had many conversations about interest rates escalating, costs of equipment escalating. They are kind of at a point now where they know they have put all the pieces together; they know where the values would plug into the contract. If the District wants to move forward with this project, they do have to make a couple final decisions that would go into the contract, but they are kind of at the point where all of these components will only stay at this exact time for a very limited window of time. In order to take advantage of the project presented, they need to either move forward with it and the financing. They have Greg Clark and his team at Stifel on pause right now. They were out there marketing this to lenders and they have gotten some big players who are interested in this, but they need final contracts before they are ready to submit final term sheets to the District. Everything that she has gotten back so far from them is that it has been positive responses, it is falling within the parameters that they have established. The annual appropriation note, not a tax or revenue backed bond. It would be the annual appropriation note they wanted, working towards the twenty years they wanted, working towards the deferred interest so the District will not be making a debt payment prior to construction. It is a six-month period post substantial completion on construction, so it gives a good window of time. Construction itself is going to take about a year or eighteen months, so they are not talking about making a debt payment for a couple years to allow for some of those savings streams to build up prior to a debt service payment being due. Everything that she is getting from the finance team at Stifel has been very positive. Next steps are for the Board to approve a final contract which would require plugging in some of these final numbers and then they will get this over to them and work towards a closing date. That is a lot of information that they shared with the District. They brought in the team that has been working with them on the renewable natural gas sales side of it. They are called Eco Engineering and they specialize in this. They had two gentlemen from that team via Zoom one of which is running the project and has worked previously on the opposite side of it as an off taker. As a purchaser themselves, so they were the ones working towards putting these values, these estimates, these projections to provide them with the revenue source. The sale of the renewable natural gas in this project accounts for about 80 percent of the savings themselves. These are big, large big-ticket items that they are talking about replacing. They are costly and the energy efficiencies of those changes themselves do not cover the cost of the improvement and that is why they explored these more innovative solutions and came up with this pipeline with Nipsco and the sale of the RNG (renewable natural gas). They have been the ones doing all the due diligence in the background, getting together estimates, finding bidders. They have found multiple bidders and they have presented what they felt was the best offer to the District, so that would be a separate purchasing contract which would still require some negotiations, but that would just be something about terms and capacity.

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What Eco Engineering has told them and communicated is that this market is going upwards and that there is not enough product for the demand and so far, the EPA essentially sets these credit values based upon what is out there in the marketplace because there is not enough product to meet the market demand. They were supposed to be releasing some more initiatives, the EPA was supposed to be releasing initiatives on their renewable natural gas requirements today and she has her guys checking on that, but she does not have a response on that yet. She is happy to provide that to the District if it does come through, but all signs point to the renewable natural gas being something that is going to be promoted by the federal government. There will be these purchasers out there because of the tax credits available with it. So, they feel that this is a good investment for the District over the twenty-year period it translates into almost 60 million dollars worth of revenue. This combined savings stream of the savings from energy efficient improvements as well as the renewable natural gas revenue comes to a little over 56.5 million dollars over the twenty-year period they would be financing it. The total cost of the project is 32.5 million and assuming an interest rate of 5.75 right now. When she spoke to Greg Clark last week about that, that was a safe number for him. They all know that can change though, so she is hoping to lock that in at that rate or lower. That does produce what they call a self-funding project. It does ultimately have a surplus of a million dollars at the end, but really for them, self-funding was so Rachel would not have to plan to make a contribution on an annual basis. Some years they will have a surplus and that is kind of the breakeven point where it lines up and prevents the District from having to make a capital contribution outside of the project.

Marty thanked Heather for all of the information and said he wanted to give her a breather. He said in the meeting they had the week before the holiday, she had proposed three different options for these projects. The one they were leaning on was the one who had 2.75 at the top which was the middle of the three he believes. He asked her to explain what that is and how that works because in that one, it meant they were getting less revenue from the credits because of whatever the market may be and so he wanted to be more on the safe side knowing it would probably do better. The worst-case scenario under that plan was that the District was or could be participating as far as paying money toward the loan. He asked her if that was correct.

Heather explained that this is the complicated part of it and that is why they had to wait until the end to get all of those bids in and again, like everything else, those things expire. They have a shelf life. The renewable natural gas purchaser would propose a RIN value and they would be going under contract with an assumed RIN value and that is a part of the contract in the savings. It would be a stipulated number, so trying to find what they think that number will be throughout the period and of course there will be some fluctuation just as there would be with gasoline or any other kind of commodity, but trying to find out what the market demand for that is and if that value will hold. The three different options they presented to Marty was just kind of their background homework and what they were looking at. Ultimately, this is a decision for the District to say this is where our comfort level lies because it is a stipulated savings. It is saying that we are all making the assumption and feel good about the fact that it is going to hit this minimum value and based upon the amount you can sell after at that value, it will fund x amount

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of dollars. The three different numbers they gave Marty, they just ran a couple term sheets, so you could see how it would shake out. They did one which was a longer review period which is something they typically do on their conservative end of things, so they did a five-year period review and then they also did a one-year period review with the average RIN value and then did a back into it exercise to see where they need that RIN value to be in order to make this a self-funding project. By self-funding, she means there is not a contribution made by the District annually, but it actually produces a surplus. For simplicity's sake, they will call it the self-funding back in number. They presented the District with a one-year average in addition to the five-year average because of Covid. When you see the RIN value, it is all based upon renewable natural gas mostly being used for transportation. So, when Covid hit, there were points when transportation dipped significantly and so you see a dip in the RIN value in that five-year period because of Covid. They wanted to take a look at where things are now. Rachel asked them if they could ask Eco Engineering to look at projections of where they may go and they said they have the capability of doing that, but it is a useless exercise at this moment because the EPA is getting ready to issue something, so it can change very rapidly. They do not expect it to change negatively. They think there will be a higher demand for it, but that is why they gave a couple of options. They were so close between one another. The one-year average was overfunding, the five-year average with the Covid dip had points where they would require a contribution by the District. When they backed into the number of where they need to be, it was almost exactly in between. This is a number that everybody- this is an estimate, it is a projection, it is an average number, so it is a stipulated number within the contract so it is something that her team and the District's team need to be comfortable with. They brought Donohue, Eco Engineering, their engineers just to show the District who has been doing the numbers behind the scenes and what has gone into the process of understanding where they think this will lie. She thinks the other thing they can take into consideration and Monica can probably speak to this a little bit is that the banks are not just going to let them choose a number out of thin air and say that is going to happen and they are going to get their money back. This particular debt is only supported by the savings, so they do not really have another avenue. Joe can speak to that as well as them coming after other things, but there is nothing in there stating the District is going to put in tax revenue or customer revenue. This debt is supported solely by the savings themselves. The bank also has to be comfortable with the number put into the contract and she thinks it is a good sign they have big banks looking at this and very interested in participating in the debt itself. Those are the three options they discussed.

Marty asked Heather, on that note, his question would be who is the guarantor of the debt.

Heather answered the District.

Marty said The District and all of its assets.

Attorney Allegretti explained it is a guaranteed savings contract. Leopardo is guaranteeing basically the savings generated by reason of the improvements.

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Heather said correct. Their guarantee is where the District's protection lies. In the performance of the project. The District, however, would be the one executing the financing with the bank because technically you do not have to pay it directly from savings. You can pay it from whatever source you want. It is allowed that it can be the sole source for repayment and that is the model they have instructed Stifel to move forward with.

Attorney Allegretti explained what the statute provides. This is not typical financing of a public work project. Typically, you finance public works through an issuance of a bond. Either a property tax bond or a revenue bond. Because of the tax reform legislation and circuit breaker, the stuff that has occurred in the last ten years, municipalities do not issue tax-backed, property tax backed debt anymore. Their future funding for improvements to the collection system and the wastewater treatment facility will be through revenue bonds. That is revenues backed by sewer user charges charged to the customer base. The guaranteed savings contracts are only used to finance what the statute calls conservation measures. They aren't used to finance the alteration of a wastewater structure or wastewater system that increases the capacity of the structure. You can only use these guaranteed savings contracts financed by these installment payment contracts like Heather was describing to finance conservation measures. A conservation measure is also defined by statute and it is basically a measure designed to provide billable revenue increases or reduce energy costs, wastewater costs or operating costs as described. These cost saving measures that are going to generate the revenue or savings to pay the debt service obligation on the installment payment contract. Leopardo is the qualified provider. They are the ones who are doing this. It is not like the District is going to do this and 20 years from now asking if this was a good thing. The statute or the contract provides the District will ultimately get a review and the Board will authorize it to provide certain safeguards and means of finding out how they are doing on an annual or periodic basis. There is a performance guarantee that Leopardo is doing and then there are specific statutory and contractual monitoring of the facility performance guarantee to ensure that Leopardo- and they are obligated to provide a performance bond to ensure the performance of Leopardo's obligations over the term of the guaranteed savings contract which will be either twenty years or the useful life of the improvements that are made.

Marty asked Attorney Allegretti to clarify that there is an annual report that has to be done and provided to whom.

Attorney Allegretti responded in the case of a guaranteed savings contract, the savings and energy and other operating costs increase in billable revenue due to the conservation measures or due to the installation and construction of these facilities that are guaranteed to cover the costs and payment of the installment payment contract and the statute also provides that Leopardo will reimburse the Sanitary District for the difference between the guaranteed savings and the actual savings. They guarantee that it is going to work. This is the safeguard built in to this kind of financing and this kind of provision. If it doesn't work, statute and the contract will provide they will pay the difference. The District is obligated to make the installment payments under the installment payment contract and as she also suggested it is not just going to be a straight line,

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there may be dips, peaks and valleys. Some years there may be a surplus and some years not, but overall, it is projected and assumed and guaranteed it will be a net positive cash flow to pay for these obligations. The statute provides specific reports on these estimates, so there must be periodic reports that includes all costs attributable to the work performed under the contract including the cost of design, engineering, installation, maintenance, repairs and debt service. Also, a calculation under some standard that measures the energy costs, the operating costs and what the reductions are to assure the governing body that it is working. This is a report that also contains a complete listing of the contractors and subcontractors being hired and used by Leopardo. Under the statute, Leopardo must perform a minimum of twenty percent of the work and he believes they will be performing much more than that. The conservation measures installed under the guaranteed savings contract have to be approved beforehand by the State Department of Health and Department of Homeland Security and also certified by an architect or an engineer licensed in the State of Indiana. The District is also obligated to provide notice before undertaking this to the Director of the Department of Local Government Finance (DLGF) not more than sixty days after the date of the execution of the contract. The District will have to give them a copy of the executed contract, the energy costs. There is going to be a baseline here of what is being spent on these things and the savings derived will pay the debt service on the note. There will be a baseline calculation of the wastewater billable revenues prior to the date of the execution of the savings contract. He thinks Heather has this already being a part of the work measured and Rachel and Jeff have participated in that. Under these industry standards, the stipulated savings on the related capital expenditures, an annual report is going to be sent to the DLGF in accordance with this standard procedure itemizing the savings resulting in each of the previous years under the guaranteed savings contract. They will at least know on an annual basis how they are doing. If they are doing well, they will all be happy. If they are doing not so well, they will be less happy. It is not just a let's hope for the best. There is going to be a report and management will be able to measure the progress and performance of the project and they have a guarantee and a performance bond. That is the statutory measures that are built in to this process that guarantees government entities like them from buying into a program that doesn't perform. Typically, you design a project, so in the sense for all of the other capital improvements they do make to the wastewater collection system and wastewater treatment plant, they hire engineers, design the project, bid the project, do the project and hope that it works and is effective and their rate payers or user charge payers are getting their value for their buck. In this case, they are designing and installing conservation measures designed to make them more efficient and save money and the person doing that is guaranteeing its performance. Skeptical people like him may question it, but in that sense, it takes the risk out. Some of the things that wastewater treatment plants and other utilities design do not work so well. Some work better than others. In that sense, there is kind of a safety net for them in doing this. Designing this gas retrieval system is expensive and unusual and kind of cutting edge and there are not a lot of locations in the country or the world as far as he knows that have done this although it is known technology.

Commissioner Rubio asked what the initial loan amount is of the project and when do they take out the loan and start making payments on the loan and when will the project start to finish start

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to benefit the savings piece. They start paying 30 days after a loan, but when is the project going to be done to start establishing those savings.

Heather replied the approximate cost of the project itself and assuming 100 percent of it will be financed through the annual appropriation note is a little over 32.5 million dollars. Construction they anticipate to be completed- the construction period is going to be significant here and what they always try to do is implement the improvements that will have the fastest payback as early as possible in the process. Granted the situation here is a little different, but day one they will be working with Rachel and team on procurement because that can be done quickly. It does not involve a lot of construction time, but the pipeline is number one because that is the big money here. They want to get that up and running as quickly as possible. She believes that 2023 will be the first payment due, but in the terms of the agreement itself, they have Greg Clark at Stifel (the underwriting firm) working with lenders and the proposed terms they have requested and are getting responses back and she can say from other deals they have done, it is typical. The first payment due will not be before six months post substantial completion, so there will not be a debt service payment due for the District- they were anticipating 18-month construction schedule, so 2024 is the first payment they anticipated. January 2025 will be first payment. This is a significant construction period that allows for savings to build up, so the savings from the procurement solutions though not as large as the revenue is going to start as quickly as they get into the District and then some of the other improvements, they energy efficiency and smaller things they will see from the switch outs and equipment itself and certainly the pipeline will have that period of time. As they ran these numbers and backing into what they said that RIN value would look like and where they could get it on that standpoint, there are safety factors built in as well, but the whole goal is to build up this surplus of funds prior to having to make a debt service payment, so the District does not have to come out of pocket.

Marty clarified if the Board understands what she means when saying the RIN value.

Commissioner Hawkins responded no.

Marty asked Heather to explain RIN value to the Board.

Heather said she will do the best she can with it because this is usually where the engineers take over. Essentially what it is is when they went out to bid for a purchaser of the District's renewable natural gas being produced from this new, clean system they are building and utilizing Nipsco's pipeline. They need Nipsco's pipeline to sell it to an off taker or purchaser. They had different people bid on that. The people they talked to at BP- they did approach them and they had a big acquisition recently of this exact type of project, so it does not mean they will not be interested in the future. There were a couple of companies who put in bids so to speak of what they would purchase it for. The RIN value is essentially, there is a unit of energy that is going to be created from this process and the RIN is the value assigned to it. When they are looking at it, the RIN value multiplied by the amount the District is going to produce and they took a big

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average not the maximum capacity or minimum capacity, they averaged that out and put their safety factors on that as well. They want this to perform, but at that number where does it shake out for total revenues that make the project flow.

Commissioner Hawkins said he has a ton of questions. If he understands this correctly, Marty and Rachel in 2025 have to make a payment or start making payments. Say this project is delayed because they all know there are a lot of delays going on or there are unforeseen problems with it. He asked when does the Leopardo guarantee kick in. In other words, if there is not sufficient revenue being generated by January 2025, will they be taking this out of District revenue or when does the Leopardo guarantee kick in.

Heather responded there are a lot of factors that go into that. Number one is safety factors. When she talks about safety factors, they discount every savings stream by 10 percent of what their projections are. There are safety factors built in to the timeline, the construction period, all of those aspects that build the program, so that if these things happen, they do not cause major disruptions in the overall process. Significant delays like a year delay will be a big problem. If it is a couple months on certain things, they adjust. Depending on what the issue is, there are other components here, so there are different things that can be moved in the construction schedules to mitigate the impact that it is going to have on the revenue and savings itself. At the end of the day, if it comes down to something that at no fault to the District that is on them if the guarantee is not met. If the District said they decided to not give access for six months to something and it delays the project directly because of that, that is not.

Attorney Allegretti added that contracts provide for force majeure and it is negotiable. When the owner of the project tries to shift all of the risk to the contractor and the contractor resists, the best place is in the middle. If there is some kind of serious delay, the contract will probably provide for an extension and possibly an increase in costs that will affect the performance of the contract. He said to see what the contract says and they will talk about it.

Commissioner Hawkins stated it is all talk until there is a contract established. That contract is going to be negotiated between HSD representatives and Leopardo.

Attorney Allegretti noted those are the issues in all public works projects. Those same issues arise. If something bad happens like weather. Weather in some parts of the country or world can affect performance of contracts dramatically. Wet weather, cold weather, winds, hurricanes, you just don't know what is going to happen, but it is life and those are the issues they will deal with.

Commissioner Hawkins said this is a 32.5-million-dollar project so this is big money. If something catastrophic happens or this project does not work because of the something. He is a bit of a skeptic like his Republican friend Joe. It is all what ifs. This could happen. He has done some big projects that should have worked and they didn't. Stuff happens. This is a really good term to use for the Sanitary District, shit happens. It doesn't work and they are scrambling and

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where are you going to dig up a couple million dollars. You are going to borrow it. Well, over this whole project there is a performance guarantee, what is something Leopardo cannot guarantee or cannot handle. Natural gas prices are here right now, say they drop because they do not know what is going to happen in the future. Things in Ukraine get settled, natural gas prices drop. They get a new President who says drill, baby, drill everywhere, build a pipeline and gas prices drop. History tells us that it can happen. What happens to them then? He is just looking at the negative because they should be looking at these negatives and Leopardo should undoubtedly since they are the ones guaranteeing it.

Heather responded that is why they brought in Eco Engineering to do this. They bring in the specialists to handle the components of this project. Leopardo does not have the internal expertise to tell you what to base the projections for the RIN value on. Eco Engineering was brought on as a subcontractor just as Mike Hickey and Donohue were brought on as subcontractors for their expertise in these different areas. She believes they gave a very thorough breakdown on how they arrived at these calculations and feel they are good numbers to use. They feel this commodity is only going to increase in demand because that is where all of the legislation is going. You have certain states right now issuing these credits in significant amounts. You have very large companies like BP investing in this technology because they see it as the way of the future. They cannot guarantee in this environment that price is going to be x, y, or z but they can look at all of the evidence surrounding and all signs are pointing to the fact that this is going to be a very profitable commodity moving forward and feel like it is a good investment for the District. Ultimately, that is the District's call.

Commissioner Hawkins stated Leopardo likes this project and they are going to have a performance bond issued by somebody and going to bet a lot that this project runs correctly based on what they know now. He guesses he is getting back to revenues falling short in three or four years. How does the District get their guarantee? He is only thinking money right now. How does it get resolved? He knows there are details being worked out right now.

Heather answered that will be within the contract. What she can tell him right now—

Commissioner Hawkins said there is a lot of unknown right now because of no contract.

Heather replied well this meeting originally was established to review this contract, but without these details put in, they do not have one produced yet.

Marty added he was not comfortable getting to a contract, so he didn't want Joe, the legal team and Leopardo putting something together when there are still a lot of questions needing to be answered. That is why this meeting turned into what it has today.

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Commissioner Hawkins stated there seems to still be a lot of questions and this seems to be a great project. He asked Heather where she wants to see them go from here and in what timeframe.

Heather responded that she is here to today to discuss whether or not they are moving forward with this is what her understanding was. She had hoped they were at the point when they met with the District a couple weeks ago and reviewed the RIN values, there was going to be a selection made so that those terms can go into the contract and that could be supplied to Joe for his legal review and produced for the Board today to make a decision on it. They are at a point where they have those numbers, they won't be good forever. They can produce the contract at this point if the Board elects to keep moving forward with this process. Produce it to Joe to review all of those terms and then move forward with financing which would take another few weeks once the executed contract is in place and that financing again would come in front of the Board for execution.

Marty stated when they looked at the RIN values, he asked if Rachel (via telephone) could hear him.

Rachel said it sounds very far when someone not at table is speaking.

Marty asked her when they were looking at RIN values—

Rachel could not hear.

Marty went on and said when they looked at the RIN values, there were three options and based on the recommendations from Eco and their expertise. The 2.75 was a lower value that may need if they choose that one which is the one, he would recommend, there could be some months they would have to make up the difference with a payment coming out of revenues from the District. He wanted one that was more a realistic number for them so Rachel could say if they can make it work and if the RIN value does go down that he had some comfort in what they could afford or couldn't. To answer Commissioner Hawkins questions, that is why he picked the 2.75. It was more conservative and knowing that some months out of the year, they would have to make up the difference because of the fact that it did drop so low. One thing he learned in the meeting with Eco that was all done via Zoom and it is French to them because they are all learning this together is that BP was a possible end user for the gas, but in the midst of all of this going on, BP was in negotiations in buying a plant that does exactly this. Their interest which hasn't totally waned, they bought a plant that does exactly this.

Heather said within the week they were doing the evaluation. Certainly, in the future it is something that could be explored. She thinks to Marty's point, it is just an indicator where this market is going.

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Marty added that he was very concerned with if a new administration comes in, but that was a question they asked Eco and they took a period of 10, 15, 20 years and through administration to administration there was very little change. In fact, they saw the value grow because of the demand. In his mind, when he thinks about it, that kind of makes a little sense because this is not being done across the United States. There are a few states that are and more states are wanting to get on with the credit part of it. That gave him some comfort, but still at the end of the day, it is a 30 something million-dollar project for 20 years. They could be on the cusp of being one of the first districts to do this and actually have it work well or the district that it doesn't work well for. He does not believe the latter of those two. He does believe it makes sense. It gives Jeff some new blowers. Taking the very old stuff they have now, getting rid of it and two brand new, smaller more efficient blowers. They are concentrating on the gas which is the revenue producer and he gets it. He just wants to share with this Board, that two maybe three years ago, he had a private investor come here not asked by him, but asked to speak to him to do exactly this. He wanted to build this plant on the property and pay them a premium once he started producing his credits. He was selling all of his credits to California. So, he looks at everything he knows which is just enough to get you in trouble because he does not know this industry, but he feels very, very comfortable with everything that has been presented. It is a good question though of where the Leopardo guarantee comes in. He does get the construction part of it. If it is not the District delaying the construction, Leopardo will start making those payments or are liable. The surety bond which is big for him. Leopardo disappears five years from now and he asked Heather to please not take any of this negatively, he just wants to talk the reality of it, he asked if the surety bond covers them in that situation. The surety should cover them in maybe some deficiencies or unknowns. It is a lot to search for this type of project of what they will cover and what they won't, but they need to have it because it is a big number and this is all new territory. It is at the cutting edge, so that excites them a lot and right now they are just burning the gas off in the air. They are only revenue based. They, and he specifically, needs to look at other ways of generating new revenue. This falls into this category because he cannot always go to the Mayor or City Council in both Hammond and Munster and say he needs another rate increase. Where does it stop and where does the level of desire finally get to its peak and say no. He is challenged and he has known this for a while that they need to look at other ways to generate revenue and surely this is a big part of this. It is a risk, but any time you are trying to do something new and cutting edge, there is a risk. He can say one thing. If it wasn't Heather leading the charge for this and doing all the work for Leopardo, he would have probably backed away. He would not feel as good about it, but he has worked with Heather for years as have almost every member on this Board have worked with Heather. She is a straight shooter and that also adds comfort. When he puts all of those pieces together, he feels good. It is absolutely risky, but at the end of the day, as long as they continue to get their questions answered and he thinks they are moving towards that, he is feeling much better.

Heather replied that she really appreciates Marty speaking highly of her, but she does not want the Board to lose sight. October of 2021 is when they selected Leopardo to do the investigative audit and when they signed the contract to move forward. At the request of the District, they

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brought on Mike Hickey and Donohue's team. People who know the Plant and have worked within the Plant and for this specific component working with engineers at Nipsco as well as Eco Engineering. There are a lot of really smart people that have been working on this for over a year and she knows they are just now getting some of this information, but it has been a very collaborative effort from especially Jeff and Marty here at the District working with them and providing information to them, Rachel providing information to them on the financial end and pulling it all together to create this program. To her, it is very exciting. As Joe stated there are not a ton of districts doing it. Where you are seeing it happen is a lot of cow farms because they have a lot of the same product produced here. The private industry is already doing this and doing it successfully. She thinks local government tends to be a little slower catching up to the private market because you have to be more mindful of the risks you are taking. She thinks this is a very exciting and innovative project for the District. Their team is 100% behind it and they want to see it succeed as well. It has come a long way and she gave a lot of information today. She is not an engineer, so she hopes she did it some justice in the explanation.

Commissioner Hawkins commented that they have a known quantity. They know how much they produce.

Jeff Massey added on average. It goes up and down.

Commissioner Hawkins said he understands that. They do have a history of what has been produced.

Heather added that historical information is what they used. She believes five years' worth of it to come up with an average.

Commissioner Hawkins continued saying they know they are blowing this off and not getting anything out of it. He understands they have a project here where they can capture it. He knows it can be done because he has done research in those late nights since we all have the internet now. The Indiana Statute, he has read that. He really read the whole thing to get a better understanding of this. He sees there are projects doing this and like they said, a number of large farms doing this. Is it feasible, engineering wise, of course it is feasible and are they taking a chance doing it. They have to remember they will capture gas and they will be selling it at some level. If they are smart, they are doing it at a rate where they know they will make money because they still want a job and want to look good in the future too. The Board also wants to look good in the future too and do right by the ratepayers. He, personally as someone who is conservative with his own money and politics he is involved with, he will always be conservative because he wants to look good. That is what Leopardo is doing and also what Marty is doing here. This seems really good to him. As a person who is conservative, it sounds really good. He does not know what the rest of the Board thinks, but it sounds good to him. He asked the other members of the Board what they think. They are hearing the same things as him.

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Marty stated he would like to hear from Commissioner Rubio because she is a banker and they are talking the money and she heard the terms for the District. He asked her, as a banker, what she thinks.

Commissioner Rubio answered that she thinks the current rate is great right now given current situation with rates. That was her question with the amount and when does the first payment start. The fact they are given 18 months to build up revenue to begin payment, she thinks that puts them in a great situation. Also, the fact that Leopardo and all of the engineers involved were playing with safe numbers and not overestimating and saying they believe they could sell x amount at this price and generate this amount of revenue. Again, because they are providing the guaranteed savings rate, so if they fall short over a 20-year span because that is the contract, if they do not get to a break even or she believes they built in one million dollars, if they do not get there, then that is where Leopardo will pay them the difference of what they paid for the whole project.

Heather explained there will be an annual report as Joe discussed required by the Statute called the M&V (Measurement & Verification), so each savings stream or component of the project has its own calculations and how it is measured. It is in there and signed off on and then once a year, they come in with their measurement and verification team and work with the team here to see how it performed. If the performance does not equate to the savings that was guaranteed for that period, then yes, a check is issued.

Vice-President Dye asked who does inspection.

Heather responded they have a measurement and verification team who will sit down and go through everything with the District. Part of this process and part of what takes so long to do these projects is establishing baseline. That has been done already with the team here.

Attorney Allegretti added that the statute creates the obligation on Leopardo, but the District is going to use their own resources—

Vice-President Dye clarified he just wanted to make sure that Jeff will have confidence that the number given is a true number and not inflated.

Marty said yes. And just as Joe was about to say, is that they thought of that and they are going to have Karl Cender and his team balance and work with Leopardo protecting. Not to say Leopardo wouldn't, but someone on the District's side looking at these numbers and making sure everything matches. They thought of that early on so he could be comfortable reporting back to the Board whatever numbers are being shared have been verified by the team here too. Karl is the guy to do that.

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Heather stated and to that point, Karl is on the financing team representing the District right now, Karl, Greg Clark with Stifel and his team there and she could not think of the other name, but bond counsel essentially, so there is always other people weighing in. The final financing is truly where the District is on the hook for the payment, so there are those representatives working for the District behind the scenes as well.

Marty added Karl has always been there for them doing that kind of work behind the scenes, but they are going to further engage him with doing checks and balances also. He thinks it is important to have that, so the Board specifically has the comfort level knowing they have their people looking also and these are the numbers.

Heather said it is a big document. When she did the first phase with the Civil City on the other end of the table as the Controller, she had a very large book. Granted they did a lot of buildings and things that had different measurement types, but it is very specific to each savings component. It is not a one size fits all.

Marty asked Heather to briefly explain with the project she did with the City. He knows they are on phase two right now.

She replied phase three.

Marty continued on asking how much savings has there been.

Heather explained the initial project was guaranteed to save 1.6 million and over the construction period and has continued to do so, it saved 3.4 million during the construction period, so it exceeded by quite a lot. She rolled right into a secondary phase because of that and that is when they pulled in the Civic Center improvements. She was nervous about doing too much early on and she wanted to see it work and that was going to be a lot of cost with not a lot of savings attached to it, but now through phase three and pulling in the procurement solutions, they are doing City Hall right now. They have done the windows, the ADA compliant entrances, they fixed the elevators, the boilers were a massive undertaking and they are doing some redevelopment stuff. They have done Towle Theatre, Indiana Building with LaSalle being the last thing they hit, but overall the guarantee has been almost 30 million dollars in total and the total debt service payment to 2.6 million and on average are doing 3.1 to 3.2 million in savings a year. They are making a half million dollars in surplus savings a year with the three phases combined. Leopardo is in general hitting 140% of their guarantees and that is because as Mike said, they want to succeed as well and continue doing business. On every savings stream there is an automatic 90% discount because nothing goes perfect every time.

Commissioner Miller asked when it comes down to the annual report and it goes to the DLGF, she asked if that is throughout the twenty years.

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Heather answered yes. It is built in for three years, but can always be done as a fee, so they can get that going. What they find is sometimes communities say it is working and they do not need to do this anymore or they say it is worth it to them and they want to continue doing it and pay for the engineering services to perform the Measurement & Verification because some of it can be very, very technical. Some do a hybrid approach where they only measure certain components because they know others are working. They build in three years of it so it is automatic and you can build off that confidence instead of saying you will pay for twenty years of it and eliminate it after year three, four, five or six.

Marty asked who supplies the reports after three years.

Heather stated they can still do so, but it is at an added cost to do all the measurement and verification. It can be a significant period. They try to get the cash flow going to get the work done for you, so they do have some that pay the minimal fee for the year. She thinks the City's was going to be around \$40,000 to tackle all three phases. Recently, Megan elected to only measure certain components of it because other ones she could track on her own and see that it is working. That will be similar here. Like with the procurement savings, Rachel will be able to run reports and say they were spending this and now are spending this. You will not need to pay to have someone come in and say that, but there might be other components you say you want that guarantee in place, so you want that measured by an engineer.

Commissioner Miller said she had one more question about annual report because she deals with the federal government on a daily basis, she wants to know if they come back and say if you are not hitting a milestone.

Heather answered that they are not really involved honestly. It is more of a reporting mechanism because this is a special type of procurement for schools, local governments, non-profits and the legislation enables you to use these savings as a repayment method. She thinks it is more of a formality being presented to you, getting signed off on and then being filed, so if there is ever a complaint. She also did want to point out one other thing Joe asked them to do so they are clear on this because when they talked last, they talked about the Long-Term Control Plan. That wasn't what they were brought in specifically for, they have been mindful of it at request of the District to try and accomplish some projects within this program that would give credit towards that plan. They are at 2018 dollar amounts and they understand why that is and while some of these components in the program are going to be more costly than their 2018-dollar figure, the improvements that count towards that give a little over 9.5 million of credit that goes towards the Long-Term Control Plan improvements that need to be done. Some items that would be incorporated here are the two high efficiency blowers for 1.7 million in offset credit for the Long-Term Control Plan. There is a digester gas upgrade that is no longer needed, but will still give 3.9 million in credit. Another was the 45-foot gas storage sphere to reduce flaring which is also no longer needed, but gives 2.6 million in credit and then automation with the SCADA system for about 1.3 million in credit, so overall a 9.5 million offset value to the work outlined in

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Long-Term Control Plan which is always on the District's mind. This was not the driving force for this, but certainly an added benefit and shows progress on this as well. As Marty said earlier, they are talking a lot about the revenue generated by this project, but when they started with Jeff and were looking at what is failing and in most need of repair and what can be accomplished through this program and this does give about 28 million dollars of improvements in the Plant itself and then this other 5-million-dollar investment to build a pipeline to generate revenue to pay for it. They are happy and unfortunately there were some windows of time where they just moved rates very quickly and they couldn't give everything they wanted, but she thinks at the end of the day it is still a really great project and gives them a way to get some stuff done without going to the ratepayers.

Marty stated and this 30 something million dollars falls outside of their borrowing power which was exciting. The only thing that kept him from moving to final contract was the dollar amount and making sure the Board understands the responsibility of paying if funds are short and where does the money come from.

Vice-President Dye asked about the substantial completion, he asked what is considered substantial, what percentage and are they confident with suppliers that they are going to get these products on time. With this being new technology, it is not like an automobile where if Ford doesn't have your car, you can go to Chevy or GM. There is probably one specialized manufacturer for this or a very limited number of people who you can go and buy this equipment. If you are waiting for one component to turn this on and waiting six months and it is time to make a payment how is that going to be handled because is that considered substantial completion and they will still have to pay because they are waiting on one component.

Heather answered substantial completion will be fully outlined within the contract. She knows their engineers and Jeremy whom they have met several times to him it was very critical if they were going to move forward that they execute a contract by the end of the year to get in line for some of this equipment which is very specialized. They have been looking at it and been in communication with these companies and there are safeguards built in because of the technicality of some equipment, but he felt it was their best shot of really achieving all performances to get in the queue by the beginning of the year.

Commissioner Hawkins asked what they needed from the Board today.

Attorney Allegretti said nothing. There is no action or nothing to vote on. This is purely informational.

Commissioner Hawkins asked where they go from today.

Marty replied that his gut tells him and he feels strongly enough to tell Heather, Joe and the Board to move towards a project to take a look at what all that language says to keep the process

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moving. He thinks they need to move forward and put the contract together so that is the next step.

Heather said their contract is waiting for a few plug ins based upon District determination so what she needs from them to get this turned around very quickly for Joe to begin review is what is the stipulated RIN value they want and she believes he communicated to the Board he was leaning towards the 2.76 so they can plug that in and it will be given as final numbers to the Stifel team and start with the marketing on that and also approval on this final scope that they presented previously. She can review that out loud now for the Board which is in the executive summary and provide to be distributed to the Board, but this would be essentially the electrical upgrades, the blowers, the renewable natural gas pipeline and the automation to the SCADA system. She can give a more detailed explanation of that, but that is the scope they are plugging in. That is the RIN value they are going to stipulate as the number for the savings and they will run the final draft for review by Joe and then it would go in front of the Board for final approval of the contract as previously requested.

Commissioner Hawkins stated that as a Board member, he would like to see other information. If there is a scope, he would like to see the scope. He doesn't think he can get too much information. He would like to be very knowledgeable with it and he thinks they should all be knowledgeable by the time this contract comes about. If there is information as this is ongoing, it should be thrown at the Board. Some of them may or may not understand it, but they can ask questions and by the time the contract comes about and Joe gets involved and Marty is satisfied with it, Leopardo is satisfied with it, the Board should be very knowledgeable with it, so when the contract comes to them, they know everything they need to know and not delay anything in this process. He understands the time is great and they need to move on it, but they should be very knowledgeable. He, as a Board member, would appreciate any and all of the information they can throw at them.

Marty told Heather he had no problem with her emailing all of them.

Heather agreed and said this scope is a reduced scope depending on how numbers shake out, so there is nothing new they have not fully discussed with the Board in workshop previously. All the components and the wish list essentially that they went through, they narrowed it and said where can they fund this and then what is priority for Jeff specifically and came up with this is where the money should go. They have all of that information and what they distributed already to Marty and the team when they met last to discuss final workshop and final pieces.

Commissioner Hawkins said to throw information at them so they are the most knowledgeable Board—

Commissioner Rubio added that she thinks this covers a lot. She does not think they need to be experts in this. They were here when they gave presentation and it was very detailed and covered

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everything that was reiterated again today. Since they do not have it in front of them, they needed to ask these questions today, but she thinks if she provides what was provided to Marty and team to them, they can email back and forth questions. That rate of 5.75 is not going to stay, so she also believes this needs to be done by the end of the year. With the holiday coming, they are not going to keep going back and forth. It sounds like Heather has the contract and they are going to plug in the rate Marty is comfortable with and Joe will review it and she doesn't know if they will approve or Marty—

Attorney Allegretti said the Board will approve it and they want Brother Hawkins to have all of the technical data that he can stand.

Vice-President Dye stated there is a clear consensus from the Board for Heather to prepare contract with numbers Marty is comfortable with and they will set next meeting date even if there has to be another special meeting.

Heather asked when next meeting date is.

Kaleigh answered December 13th.

Heather said she is going to take this back and make sure Joe has adequate time to look over.

Attorney Allegretti said the Board can get copy of contract when he gets it to look over because he is not going to spoon-feed anyone and they can comment.

Heather said she is going to go back to her team and communicate what they talked about today and see how quickly they can turnaround the draft of the contract and any of the most recent workshops with the team so they can have all of the information to the Board and hopefully they can hit the 13th date.

Vice-President Dye asked that if not the 13th, he asked to know that ASAP since the holidays are coming up and people travel.

Marty said he is hoping the 13th will work just fine.

Vice-President Dye called for Public Expression
There was no Public Expression.

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Vice-President Dye called for a motion to adjourn the meeting


Hawkins **moved** and Miller **seconded** for adjournment.

Ayes: Dye, Hawkins, Miller, Rubio

Nays: None

Motion **carried** 4-0. The meeting was adjourned at 4:15 p.m.

Sam Dimopoulos, President



Michael Dye, Vice-President



Michael Hawkins, Sr., Member

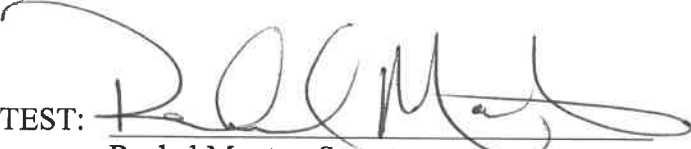


Owana Miller, Member



Monica Rubio, Member

ATTEST:



Rachel Montes, Secretary

Kaleigh Boyle, Assistant Secretary

Board Minutes Prepared By: Kaleigh Boyle