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October 25, 2016

Mr. Frank J. Comeriato, Jr.
Assistant City Manager for Operations
115 Executive Parkway
Suite 400
Hudson, Ohio 44236

Subject: Evaluation of AMP's Solar Project II

Dear Mr. Comeriato:

Provided herein is a summary of our Evaluation of AMP's Solar Project II (Evaluation), as well as our recommendation regarding the City of Hudson's (City) possible participation in AMP's Solar Project II (Project). For purposes of this evaluation we have reviewed several documents provided by AMP relative to the Project and the City's power supply requirements and resources, including the Power Sales Contract Regarding the AMP Solar Project II (PSC), a draft ordinance authorizing execution of the PSC (Draft Ordinance), the AMP Solar Project Report dated April 2015 prepared by Leidos (2015 Leidos Report), the Addendum to the AMP Solar Project Initial Feasibility Study dated April 18, 2016 prepared by Leidos (2016 Leidos Report), the AMP Solar Phase II Overview dated August 2016 prepared by AMP (Overview) and the City of Hudson Power Supply Update dated August 23, 2016 (Power Supply Update), copies of which are attached. Please note that some of these documents are identified as 'Business Confidential' and should not be released publically without AMP's prior authorization.

Description of Project

The Project involves the installation, ownership and operation of a set of distributed photovoltaic solar arrays by AMP Solar, LLC (DG AMP Solar), a wholly-owned subsidiary of NextEra Energy Resources, at various sites having a combined capacity of more than 70 MW AC, from which AMP will purchase the output pursuant to the AMP-DG AMP Solar Power Purchase Agreement, dated March 29, 2016 (PPA), and then resell to the participating communities (Participants) pursuant to the PSC. The solar arrays will range in size from 200 kW to 20,000 kW and will be interconnected with the host systems (Host). DG AMP Solar has initiated construction of the largest site, which is located in Bowling Green, Ohio, and it is anticipated that all of the sites will be installed and operational by the end of 2017.

The PPA provides that DG AMP Solar will provide energy from the Project for a period 25 years, or at AMP's option for 30 years. Based on the information provided in the 2016 Leidos Report, it is assumed that the Project will produce power at an annual capacity factor of approximately 20%. Pursuant to the terms of the PPA, DG AMP Solar is to provide, in aggregate, not less than 85% of the estimated annual production from the sites, taking into account degradation and the impact of weather. AMP shall have the option to purchase each array at term of the PPA at a price equal to Fair Market Value.

Power Supply Contract (PSC)

Each Participant shall execute a PSC with AMP in the form attached, which specifies that each Participant is to take and pay for its proportionate share of the cost of the power supplied by the Project, based on the ratio of the Participant's subscription in the Project to the total subscription of all of the Participants in the Project (Project Share). Under certain conditions, should a Participant or multiple Participants default in their obligation(s) to take and pay for their share of the cost of the power supplied by the Project, the non-defaulting Participants shall be required to purchase a pro rata share of the defaulting Participants' Project Share, which is referred to in the PSC as Step Up Power. The accumulated amount of Step Up Power that a Participant may be required to purchase will not exceed 25% of the Participant's original Project Share.

It should be noted that, although the PSC is technically a "take and pay" obligation, which means that the Participants are only required to pay for energy actually provided by the Project, the rates and charges will be designed by AMP to recover all of the fixed and variable costs associated with Project. So to the extent that the Project produces less energy than anticipated, the actual cost per kWh supplied by the Project may be greater than the projected prices reflected in the 2016 Leidos Report. However, this impact is somewhat mitigated by the 85% performance guarantee.

Projected Project Costs & Rates

Appendix A of the 2016 Leidos Report provides pro forma projected operating results for the Project under various assumptions for term (25 years and 30 years) and degradation (0.5% per year and 0.75% per year). Provided below is a table that summarizes the projected Net Project Cost (net of transmission, capacity and renewable energy credits) per MWh, as reflected in Exhibit 1 of Appendix A of the 2016 Leidos Report.

NET PROJECT COST - \$/MWH (1)
(25 Year Term - 0.50% Degradation)

<u>Year</u>	<u>Net Project Cost</u>
2017	\$ 65.53
2018	64.37
2019	45.95
2020	40.65
2021	39.10
2022	38.11
2023	36.90
2024	37.35
2025	37.13
2026	35.50
2027	36.15
2028	35.28
2029	35.68
2030	35.13
2031	35.85
2032	36.14
2033	34.64
2034	34.90
2035	34.78
2036	34.59
2037	35.44
2038	34.39
2039	37.14
2040	31.99
2041	31.47
2042	35.93

(1) Reflects Net Participant Energy Costs from Exhibit 1 of Appendix A of the 2016 Leidos Report, which reflects Gross Participant Energy Costs minus Transmission Credits, Capacity Credits and Solar Renewable Energy Credits.

As indicated above, it is anticipated that the Net Project Cost will decline over the 25 year period, primarily due to projected increases in transmission credits and capacity credits. It should also be noted that the relatively high Net Project Cost for 2017 and 2018 are due to fact that transmission credits and capacity credits are not reflected until the following calendar and planning year, respectively.

Project Share

As indicated in Section 2 of the Draft Ordinance, AMP is suggesting that the City subscribe to a Project Share of 5,820 kW. At the assumed annual capacity factor of 20%, a Project Share of 5,820 kW would equate to approximately 10,000,000 kWh per year, or roughly 5% of the City's 190,000,000 kWh annual energy requirements. Please note that this figure does not include the potential Step Up Power that the City could be obligated to take in the event of a default by other Participants.

The City currently receives power from several long-term, asset based resources, which are identified in the attached Power Supply Update. These long-term asset based resources supply approximately three-fourths of the City's energy needs. As indicated on slide 45 of the Power Supply Update, through AMP the City has entered into two arrangements with First Energy for what is known as Remaining Requirements Service, which will provide the balance of the City's energy needs through 2020.

Since the City has arrangements in place to meet its energy needs through 2020, any energy supplied by the Project during that period would be surplus to the City's needs and would need to be sold to the energy market. Based on current energy market prices, it is anticipated that through 2020 the net price the City will pay for energy supplied by the Project will exceed the price the City will receive from the sale of surplus energy to the market. However, beyond 2020 it appears that the net price the City would pay for energy supplied by the Project will be lower than the price the City would pay for comparable energy from the market.

The City currently receives approximately 20% of its energy requirements from renewable energy resources, which includes hydroelectric generation and landfill gas. Subscribing to a Project Share of 5,280 kW would increase that figure to approximately 25%. The City is not currently required to obtain a minimum level of its energy requirements from renewable resources.

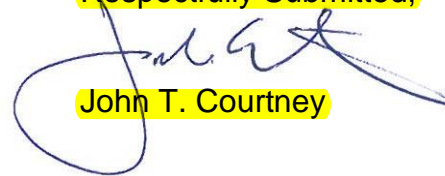
Conclusions and Recommendations

Based on our review of the documents provided by AMP relative to the Project, it is our conclusion that:

1. Although it appears that the net price for energy supplied by the Project over the first four years will likely exceed the market price for comparable energy, the Project should provide a long-term hedge against future transmission, capacity and energy prices; and
2. Prior to the expiration of the First Energy Remaining Requirements Service arrangements, energy supplied by the Project will result in the City having surplus energy that will need to be sold to the market; and
2. Following the expiration of the First Energy Remaining Requirements Service arrangements, the Project would be a good fit for the City's power supply portfolio; and
3. Subscribing to a Project Share of 5,820 kW would increase the portion of the City's energy requirements supplied from renewable resources to approximately 25%.

Based on the evaluation summarized herein, and assuming that the City is looking to increase its renewable energy portfolio, we recommend participation in the AMP Solar Phase II Project.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "John T. Courtney", is written over a yellow rectangular background.

John T. Courtney

Attachments