Biomass Group, LLC

Renewable Energy Request for Proposal

October 15, 2003

Renewable Energy Today For a Cleaner Tomorrow

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I. Introduction

A. Company and Project description

Biomass Group, LLC ("Biomass"), an independent power producer (IPP), was formed in 1997 for the purpose of developing biomass and other "green" electricity generation facilities. Biomass', South Point project, has received air quality permits to retrofit, upgrade and place in service a base load electric generation facility located in South Point, Lawrence County, Ohio. The facility as permitted will be one of the largest "biomass" electric generation facilities in the United States, with a nameplate rating of approximately 148 MW. This facility will be the largest wood-fired facility of its kind in the United States.

The South Point generating plant will utilize proven waste-wood burning technology as widely used in the paper industry, and by many IPP's including the 80 MW plant operated by FPL Group located in Hurt, Virginia, the 50 MW plant operated by Avista in Kettle Falls, Washington and the 37 MW plant built by Cinergy in Minneapolis, Minnesota.

The nexus of the South Point Plant was of a dormant chemical and electric generating facility that has many valuable assets. The facility previously was utilized as a chemical facility for the production of ammonium nitrate and subsequently for the production of fuel grade ethanol. The South Point Plant will involve renovation of the facility's former coal-fired powerhouse as its generation station. The powerhouse was built with 7 coal-fired boilers; once renovations are complete there will be 7 boilers fired only with wood, and a single new turbine-generator. The existing facility assets also include raw water and waste water systems, extensive underground piping, covered fuel storage, rail, an extensive road system, and a 1980's baghouse and stack. The air pollution control requirements will be satisfied by the addition of a new precipitator, catalyst systems, and a dry scrubber.

The project's wood fuel requirements will be delivered by truck, processed for consistent quality, stored and blended in the existing covered storage building. Redundant fuel supply systems will ensure reliable fuel feed to all seven boilers. An auxiliary boiler facilitates start-up and maintenance. New feedwater treatment, ash handling and other auxiliary systems complete a reliable efficient power plant. A new 138 KV line and switchyard connects South Point to AEP's transmission system.

The deregulation of Ohio's power system in January 2001 brought significant opportunity to the State. The first mover advantage of the South Point Plant as a renewable fuel facility is clear. The South Point Plant ("Project") is projected to be in service by the second quarter of 2006. Biomass has received Certification from the Public Utilities Commission of Ohio to act as a retailer of power, a waiver from the Ohio Power Siting Board and a final "Permit to Install" from the Ohio EPA[1].

The Project has an interconnection to the "grid" and a Transmission Agreement with American Electric Power ("AEP"). Biomass will use the AEP South Point substation, located within one (1) mile of the site. This interconnection allows Biomass to distribute its generation capacity to one or more long-term power purchasers throughout AEP's service area. AEP is currently not a member of any Regional Transmission Organization ("RTO") but has applied for membership in the PJM "West" RTO. This will allow Biomass customers to transmit their energy purchases as far as the east coast, where several states have Renewable Portfolio Standard requirements for electric companies.

Biomass Group LLC. consists of two investors; Mark Harris, an individual who holds 50% membership interest and Biopower Investors LLC, an investor group, comprised of five high net worth individuals, that hold 50% membership interest. Mr. Harris developed the original conceptual plan for the project South Point Plant and has been leading its development since inception.

[1] [This document is available by request or from the Ohio EPA]

Biomass has completed extensive engineering and permitting to bring the project into the end of its "pre-development stage". Biomass has executed a Letter of Intent (LOI) with Cinergy Solutions to negotiate a long-term Operation and Maintenance Agreement (OM Agreement). Biomass expects to execute a Memorandum of Understanding (MOU) with Shaw Group/ Stone & Webster for a comprehensive Engineering Procurement and Contracting Agreement (EPC Agreement).

Biomass completed its first meeting with Moody's Investor Service for the purpose of defining Moody's requirements to receive its "Baa3" investment grade rating. Biomass expects to issue tax-exempt and taxable municipal bonds through the Ohio Air Quality Development Authority to finance the majority of Project costs.

B. Technical Summary

All successful waste fuel power projects combine careful fuel treatment and reliable fuel handling with proven power equipment and full permit compliance. South Point achieves these goals while using existing site infrastructure to minimize costs.

- **Fuel Handling:**
  A combination of forestry residues and wood manufacturing residues is received by truck, using the existing site road system directly from the US 52 interchange. Multiple truck dumpers and ground hoppers feed the nominal minus 2-inch fuel to a disc screen; oversize is hogged; magnets remove tramp metal. The sized fuel is stored in the existing concrete storage building, via one of two stacker reclaimers. Further fuel blending is accomplished when the reclaimers cut across the piles and feed the fuel blend via belt conveyors to the boiler building.

  The boiler building is equipped with two fuel feed systems; the primary system is by belt conveyor to twin fuel distributing conveyors which supply the boiler feed bins. The back-up fuel system uses a bucket elevator and an adjacent ground pile of prepared fuel to feed the distributing conveyors.

  A long-term fuel storage pile is used to store fuel prior to start-up, to accept sudden surges of available fuel due to storm damage, and to back-up any interruptions in the usual fuel supply.

  The fuel blending & reclaim system enables the blending of higher quality, low moisture content wood residues stored on site, to control delivered fuel moisture.

  Regular fuel truck sampling, and blended fuel sampling, provide feed-back to the Project's fuel manager, who is responsible for consistent fuel deliveries.

  The overall fuel handling system is based on many similar successful designs in current use at IPP's.

- **Boilers:**
  Boiler availability is a major determinant of the financial performance of a waste fuel power project. South Point combines conventional wood-fired boiler design, as used by many IPP's and in the pulp & paper industry, with the seven-boiler arrangement of the existing boiler building, to ensure consistently high boiler availability.

  The boilers are two-drum stoker-fired units. At 500 psig and 815 degrees F, steam conditions are moderate. The consistently low ash content of the region's hardwood, about 1.1%, minimizes the usual ash impact on boiler operations, and a modern version of the proven, simple, pin-hole grate is utilized.

  The seven boilers are mounted in the existing structural steel, and include their fuel metering bins, fuel feeders, and ash discharge systems.

  Each boiler is rated at 180,000 lb/hr using the design fuel at 35.5% moisture, and can produce about 200,000

lb/hr using drier fuel.

Each boiler has its own forced draft and over-fire air fans, and steam coil air heaters to enable continuous control over a range of fuel moistures.

An auxiliary gas-fired boiler supports start-up and can supplement the steam supply if required.

- **Air Quality Control System:**
  The South Point Project's air permit has been obtained by the use of BACT (Best Available Control Technology) equipment to reduce stack emissions to de minimis levels. The flue gas from the seven boilers first enters a hot ESP, which reduces particulates to protect the following catalytic systems. At about 625 degrees F, the flue gas passes through an oxidation catalyst to convert VOC's (Volatile Organic Compounds), followed by an SCR system for NOx conversion to nitrogen. This is followed by an economizer for boiler feed water heating, and a spray drier for SO2 and HCl removal. The spray drier utilizes the existing 1980's baghouse, equipped with coated bags, for final particulate removal. New ID fans send the clean flue gas to the existing concrete stack.

- **Turbine Generator:**
  A new 145-150 MW steam turbine generator is installed in the existing turbine building; with the usual feed water heaters, surface condenser, vacuum pumps and condensate pumps. A new overhead crane is installed on the existing structure. 13.8 KV power feeds the station auxiliary transformer as well as the new 13.8 – 138 KV transformer and switchyard. An existing 34.5 KV line is maintained for construction and back-up power. Cooling towers obtain their make-up water from the Ohio River via existing intake structures, underground water lines, and storage tanks. There is a back-up well water system. Cooling tower and boiler blowdown is pH balanced and discharged to the Ohio via the existing discharge lines and outfall. Boiler feedwater is fully demineralized.

  The 138 KV interconnection with AEP will be from the new switchyard to AEP's existing 138 KV lines and its South Point 138 KV substation, as detailed in the Project's interconnection agreement.

- **Site Development:**
  The 80 acre project site, which is a part of a total 600 acre industrial development site, will have additional roads, and will use the existing site drainage and underground water and fire-water lines. A demolition contractor will remove the existing equipment, piping, electrical systems and building siding from the boiler and turbine buildings, leaving the structural steel open for sandblasting and re-use. An administration and maintenance facility will be added. Additional storm-water retention ponds will be added to conform to current Ohio regulations.

C. Fuel Plan Summary

A successful waste fuel project, whether waste coal or wood residues, depends on secure long-term reserves and production of the necessary quality fuel, and on day-to-day management of that fuel supply.

- **Regional Wood Supply**:
  US Forest Service data show the yearly growth and harvesting of both merchant quality timber, and of total timber, in Ohio, West Virginia and Kentucky by local districts. The non-merchant part of the harvested trees is about 50% of the total weight, and is normally left to rot, or to catch fire, on the forest floor. In Ohio alone, this represents about 3.5 million tons/year of wood residues, readily available from logging contractors. The Forest Service notes that Ohio's forest lands, about 33% of the state, are being under-harvested, that is, new growth has exceeded the amount harvested by about 2.4 times.

- **Sawmills & Wood Products Residues:**
  This region, and especially Ohio, has many sawmills, lumber kilns, and wood products manufacturers, who use the abundant supplies of oak for hardwood flooring, furniture of all types, and for wine barrel staves. Each successive stage of manufacture produces residues of slabs, off cuts, sawdust and rejects. Extensive

studies by the Ohio PUC and others have documented the production and disposal of these materials. While there are some markets for hardwood residues, there are only two pulp mills in the area, and much of the residue is dumped. This gives rise both to ongoing residue production, and the availability of substantial waste piles, amounting to about 5 million tons on dispersed sites. Whereas freshly harvested forestry residues have moisture contents around 45%, the residues from sawmills and furniture, etc., production range from 10% to 35% moisture content. Note that the project has avoided the use of wood contaminated with resins or melamine – there is no need to address such "difficult" fuels when the supply of untreated wood residues is so large.

- **Primary Fuel Sources:**
  The primary source of fuel in daily operation is a group of 145 individual suppliers of forestry and wood processing residues, who have signed 10 year fixed price contracts with the Project. The Project's fuel manager, who selected these suppliers, is responsible for daily delivery scheduling and quality control. As these are mostly small local operations, it is to be expected that replacement of some of the original suppliers will be necessary, and there are many more suppliers available in our economic trucking radius.

- **Secondary Fuel Source - Residue Piles:**
  The project will use the existing wood residue piles to supplement the primary suppliers in the event of any shortages, bad weather, etc. Selected wood residue piles will be excavated and placed in the project's on-site long-term fuel storage yard before plant start-up, to ensure ready fuel availability. The availability of these piles, and the project's storage yard, will remove any temporary fuel price pressure that might otherwise occur. The project will maintain continuous use of these fuel piles to ensure fuel quality control.

- **Tertiary Supply of whole-tree chips:**
  Substantial acreage of timberlands, including the Wayne National Forest, which has been recently opened to timber harvesting, is close to the site. Leasing and harvesting of commercial timber on a selective basis in accordance with National Forest and State land use plans, will provide forestry residues as a supplementary fuel source, similar to the fuel sources used by other wood-burning IPP's. This tertiary plan would be implemented if forestry residues from the usual logging contractors were affected.

- **Ohio Fuel Summary:**

For the state of Ohio alone:	MM tons/yr
Timber (merchant quality) harvested	3.5
Forestry residues	3.0
Sawmill timber input, including imports	5.5
Sawmill residues, slabs, dust, off cuts	2.6
Wood Products Mfg input, including imports	6.5
Wood products residues	3.2
Total Ohio wood residues produced	8.8
Economically available to South Point:	5.5
South Point Fuel Consumption	**1.5**

D. Purpose of Solicitation

Biomass Group, LLC ("Biomass") is soliciting bids for the long-term purchase of the electricity to be produced by its 145 MW South Point wood-fired electric generating plant ("South Point"). South Point will be the largest wood-fired generating facility in the United States. South Point is located in the southern-most point of Ohio, connecting with American Electric Power (AEP). Biomass seeks to enter into Power Purchase Agreements with one or more long-term purchasers for up to 130 MW of generating capacity, with a guaranteed minimum of 7,884 hours (90%) per year availability ("Total Supply"), and for a minimum term of 10 years and a maximum term of 20 years.

Biomass will base its selection on a combination of the following criteria:

- Term (duration) of the Power Purchase Agreement (PPA)
- Credit quality of purchaser
- Price
- Required Availability Factor (90% or some other %)
- Delivery Point (i.e., AEP's South Point substation, or some other location)

Proposals must be received by 4:00 PM on Friday, November 21, 2003 and bidders will then be placed on a short list of Proposers selected for subsequent in-depth evaluation. Biomass Group, LLC acknowledges that many different types and forms of contractual agreements can be structured to meet this Request For Proposal (RFP) and welcomes bidder creativity and flexibility.

E. Power Purchase Terms

The project is in its final predevelopment stage and will break ground after: (i.) execution of an acceptable PPA; and (ii.) placement of taxable and tax-exempt municipal bond issues.

- Deliveries will commence on April 1, 2006 if a PPA is finalized by December 31, 2003.
- The project will have a gross site capacity of 145 MW to which the gross output will be certified to be compliance with "green e" standards.
- South Point will be connected to American Electric Power (AEP) at South Point, Ohio. AEP has requested membership in the PJM West RTO.
- Biomass is offering 130 MW of power for sale on a "unit contingent" basis with a guaranteed availability of a minimum amount of hours (7,884) per year, for a minimum term of ten (10) years and a maximum term of twenty (20) years.

F. Biomass Consultants/Professionals

Operation and Maintenance	Cinergy Solutions Donna Robichaud 513.419.5980
Financial Advisors-	Ross, Sinclaire & Associates: Alex Stillpass, 513.381.3939 UBS – Randall L. Finken, 212.713.3432
EPC contractor-	Under negotiation with the Shaw Group
Project consultant	Standfast Engineering, Andrew Grant, 330.835.3328
PPA consultant –	Encore Energy Solutions LLC. – R. Edward Hart, 813.426.5061
Legal advisor	Vorys, Sater, Seymour & Pease, LLP, Howard Pettrricoff, 614.464.5414 Anthony Guilanni, 614.464.6279

G. Reservation of Rights

Biomass reserves the right, without qualification and in its sole discretion, to reject any and/or all Proposals or to waive any informality, technicality or deficiency in Proposals received. Biomass reserves the right to consider alternatives outside of this solicitation, in its sole discretion, to satisfy its needs. Biomass reserves the right to select proposals that demonstrate innovative arrangements. Those who submit Proposals agree to do so without recourse against Biomass for either rejection or failure to execute a PPA for any reason.

H. Financial Performance

Biomass recognizes that as a pure "project", bankruptcy remote LLC, it must rely on methods outside of "balance sheet" or "parental guarantees" to obtain an investment grade rating from Moody's or S&P and assure financial performance. As such, Biomass will have the following mechanisms in place:

- Operational and covenanted Operator Guarantees,
- Manufacturer Guarantees,
- Outage, and or Catastrophic Insurance to be provided by a AA-rated (minimum) insurance provider,
- Assignment of all project agreements, including the PPA, to the Bond Trustee for the benefit and security of OAQDA bondholders that the Trustee will assume ownership of the project (for the benefit of OAQDA bondholders) if Biomass becomes unable to fulfill its obligations.

I. Confidentiality

Biomass Group, LLC recognizes that certain information contained in proposals submitted may be confidential and may represent a competitive or business strategy. The Proposer is responsible for identifying those portions of their proposal, which they consider confidential, and must clearly label the documents "confidential". However, proposals in their entirety may be shared with the applicable state utility commission, the Federal Energy Regulatory Commission, or any other governmental entity that has regulatory authority over Biomass Group, LLC, or Proposer. Additionally, third party consultants and/or attorneys may evaluate proposals.

II. Summary of Key Activities

A. Process Schedule

Biomass will have **a pre-proposal conference at the Cincinnati Airport on November 6, 2003 at 1:00**. You may also attend via conference call.

Call Ed Hart (813.426.5061) for information regarding the location of the pre-proposal conference or the conference call dial-in information.

Biomass must receive responses to this RFP no later than 4:00, Eastern Standard Time on Friday, November 21, 2003 at the address listed below. Upon completion of the review process, Biomass Group, LLC will inform Proposers of the status of their proposal and will undertake further discussions with "short listed" parties, which may ultimately result in successful PPA negotiations.

B. Submittals, Inquiries and Other Communication

THREE copies of the proposal should be sent to the following address:

Biomass Group, LLC
Attention: Mr. Mark Harris
65 Avenues of Champions
Nicholasville, KY 40356

All other inquiries and communications relating to any aspect of the RFP should be directed to Ed Hart at (813) 426-5061

C. Proposal Submittal Costs

All costs of Proposal development are to be borne by the Proposer. Biomass will not reimburse any Proposer for costs incurred in responding to this RFP or for the costs incurred during any subsequent negotiations.

III. General Information

A. General Requirements

Biomass is requesting proposals from interested parties for up to 130 MW of unit contingent generation. Multiple bids submitted by one or more Proposers may be aggregated to achieve the total megawatts of available supply. Please aware that Biomass will receive any and all current and/or future renewable energy certification emissions credits and tax credits associated with the energy from this project. All Proposers should take delivery of the energy at the South Point, Ohio station, which is operated by AEP. Biomass, as facility developer will be responsible for all costs to interconnect with AEP at South Point, Ohio.

B. Power Purchase Agreement

Biomass may to enter into one or more PPA(s) with the selected Proposer(s). The preferred term of the agreement will be 20 years with a pricing escalator over the term. If a Proposer wishes to enter into an agreement with different terms and conditions, an alternative proposal can be submitted for consideration and must be clearly labeled as an alternative proposal.

The PPA(s) shall include provisions that:

- Require the supplier and Proposer to comply with all applicable laws, rules and regulations that are in, or may come into, effect during the term of the contract.

- Prohibit the Proposer from assigning the PPA without the prior written consent of Biomass, unless the proposed assignee has an investment grade rating. In the case of an assignee with an investment grade rating Biomass must receive written notice of the proposed assignment at least 90 days prior to such assignment.

C. Regulatory Compliance

Proposers are responsible for acquiring and maintaining all present and future federal, state, and local approvals, licenses, permits or variances, and the specific requirements or potential requirements necessary to transmit energy from South Point, Ohio to their facilities.

IV. Proposed Content Of Bid

Each proposal should contain the following sections and the contents as described below. If the proposal includes consumption located at multiple sites, then each location can be listed. Some of this information can also be included in Exhibits placed at the end of the proposal.

A. Bidder's Qualifications

This section should include, but not be limited to, the following information:

- Corporate/business structure, including primary and secondary businesses;
- Bidders estimated annual electric requirements, in MWH within PJM and anticipated PJM West.
- At least one contact (name and phone number).
- Description of any past, or current litigation concerning power supply agreements with an original term of five years or greater.
- Description of Proposer's ability to secure transmission, or to move power to Proposer's facility.
- Separate descriptions, as appropriate, for each member if there is a consortium or partnership of two or more firms, and the relationship between the entities for this Proposal.

B. Financial Considerations

The financial viability of any proposal should be demonstrated to provide assurance that the Proposer has adequate financial strength to meet the obligation. Each proposal must include the following financial information for each entity involved in the proposal:

- Most recent audited annual financial statements, including balance sheet, income statement, and statement of cash flows for each party. If audited financial statements are not available, a listing of assets, liabilities, profit and loss statement and cash flow must be provided); and
- Either (i.) evidence of a senior unsecured debt rating of "Baa2" or "BBB" or higher; or (ii.) evidence of access to additional security.
- Acceptable additional security includes: a guarantee from a guarantor acceptable to Biomass, with an investment grade rating from S&P and/or Moody's or a letter of credit from a US bank, or US branch of a foreign bank, with a rating of A or higher from S&P, and/or A2 or higher from Moody's.

C. Power Purchase Agreement Duration. Pricing and Timing

This section should detail the Proposal's pricing, escalation, timing, and include a draft PPA.

- Biomass' targeted date of initial energy deliveries – April 1, 2006,
- Scheduled amount of energy to be delivered to Proposer annually, and by month,
- Biomass is willing to work with a purchaser to schedule acceptable for "planned outages". Describe any known annual opportunities for non-disruptive planned outages from the Proposer's perspective.

Price Schedule

Year	Price per MWh	Escalation factor
1		
2		
3		
4		
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20		

Price for Power: Biomass encourages simple pricing proposals, but will also consider creative pricing proposals. Prices should be stated in year of occurrence in U.S. dollars. Please be aware that Biomass will receive any and all current and/or future renewable energy certificates and emissions credits associated with the energy from this project, and the receipt of all applicable federal and state tax credits that apply to the renewable, or biomass, energy generation.

Duration of Energy Supply Offer: Biomass is seeking a contract term of a minimum of 10 years and a maximum of twenty years. If a bidder requires a longer contract, it should be presented as an alternative Proposal.

Draft of PPA: Please include a draft of a PPA that would be a starting point of contract discussions in the next phase of the process.

Timing of Energy Availability: Biomass is seeking to come on line by April 1, 2006. Proposers that can meet this time requirement will be given preference in the evaluation process, however Proposers that demonstrate innovative pricing will be considered regardless of on-line date. Proposers that cannot take the total supply may be considered separately on a case-by-case basis.

D. Transmission Plans

The Proposal should include a description of the means of transmitting the energy over the transmission system to Proposer's facility, or facilities, if applicable, including any distribution system related issues, if applicable. This should include the location, route and voltage level of the transmission and/or distribution facilities. If the Proposer is connected to a transmission system that is not operated by the PJM or to a distribution system that is not connected to the PJM, describe how the energy will be delivered.

The Proposer is responsible for all costs involved in interconnecting with the local utility or transmission system, and transmitting the energy to its facility. In the event there are any transmission studies required to transmit the energy from the South Point, Ohio interconnect, Proposer will be responsible for those costs. Please outline the results of any contacts to date with the local utility or transmission provider concerning interconnection issues.

V. Evaluation Process

Biomass will assess all proposals to which, in Biomass 's sole opinion, are economical, innovative, and viable options for meeting Biomass' needs. The assessment will take into account both price and non-price factors. Upon completion of this assessment, Biomass will create a short list of qualified Proposers and schedule further negotiations.