

# Vorys, Sater, Seymour and Pease LLP

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Howard Petricoff  
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FILE

December 1, 2000

RECEIVED  
00 DEC - 1 PM 5:03  
PUCO

Gary Vigorito  
Secretary  
Public Utilities Commission of Ohio  
180 E. Broad Street  
Columbus, Ohio 43215

RE: Biomass Group LLC  
Application for Certification as Retail Generation Provider  
Case No. 00-2337 EL-CRS

Dear Mr. Vigorito:

Please find enclosed an original and eight copies of an Application for  
Certification as a Retail Generation Provider submitted on behalf of Biomass Group LLC.

Thank you for your cooperation in this matter.

Sincerely,

*Howard Petricoff*

Howard Petricoff  
Attorney for Biomass Group LLC

*Stephen M. Howard*

MHP/jam

Enclosure

This is to certify that the images appearing are an  
accurate and complete reproduction of a case file  
document delivered in the regular course of business.  
Initialed *T.M.K.* Date Processed *12-6-00*



*The Public Utilities Commission of Ohio*

PUCO USE ONLY		
Case Number	Case Number	Certification Number

## **CERTIFICATION APPLICATION FOR RETAIL GENERATION PROVIDERS, POWER MARKETERS, AND POWER BROKERS**

**FILE**

Please print or type all required information. Identify all attachments with an exhibit label and title (Example: Exhibit A-13 Company History). All attachments should bear the legal name of the Applicant. Applicants should file completed applications and all related correspondence with the Public Utilities Commission of Ohio, Docketing Division; 180 East Broad Street, Columbus, Ohio 43215-3793.

RECEIVED DEPT. OF REVENUE  
00 DEC -1 PM 5:03  
PUCO

### **A. APPLICANT INFORMATION**

#### **A-1 Applicant intends to be certified as: (check all that apply)**

☒ Retail Generation Provider

#### **A-2 Applicant's legal name, address, telephone number and web site address**

Legal Name: Biomass Group LLC  
Address: 700 Speas Mill Road Paris, KY 40361  
Telephone: (859)-987-1902

#### **A-3 List all names under which the applicant does business in North America**

Biomass Group LLC  
Biomass Energy LLC

#### **A-4 Contact person for regulatory or emergency matters**

Name: Mark Harris  
Title: President  
Business address: 700 Speas Mill Road Paris, KY 40361  
Telephone: (859)-987-1902 Fax # (859) 987-2428  
E-mail address: Biomassgp@aol.com

**A-5 Contact person for Commission Staff use in investigating customer complaints**

Name: Mark Harris  
Title: President  
Business address: 700 Speas Mill Road Paris, KY 40361  
Telephone: (859)-987-1902 Fax # (859) 987-2428  
E-mail address: [Biomassgp@aol.com](mailto:Biomassgp@aol.com)

**A-6 Applicant's address and toll-free number for customer service and complaints**

Business address: 700 Speas Mill Road Paris, KY 40361  
Telephone: (859)-987-1902 Fax # (859) 987-2428

Note, since Biomass will not be selling power directly to residential customers it does not plan to have a toll free number.

**A-7 Applicant's federal employer identification number  
# 61-1329300**

**A-8 Applicant's form of ownership (check one)**

- ☐ Sole Proprietorship ☐ Partnership  
☐ Limited Liability Partnership (LLP) ☒ Limited Liability Company (LLC)  
☐ Corporation ☐ Other \_\_\_\_\_

**A-9 (Check all that apply) Identify each electric distribution utility certified territory in which the applicant intends to provide service, including identification of each customer class that the applicant intends to serve, for example, residential, small commercial, mercantile commercial, and industrial. (A mercantile customer, as defined in (A) (19) of Section 4928.01 of the Revised Code, is a commercial customer who consumes more than 700,000 kWh/year or is part of a national account in one or more states).**

**X First Energy**

- |  |                                      |  |  |                                     |
|--|--------------------------------------|--|--|-------------------------------------|
| <input type="checkbox"/> Ohio Edison                     | <input type="checkbox"/> Residential | <input checked="" type="checkbox"/> Commercial | <input checked="" type="checkbox"/> Mercantile | <input type="checkbox"/> Industrial |
| <input type="checkbox"/> Toledo Edison                   | <input type="checkbox"/> Residential | <input checked="" type="checkbox"/> Commercial | <input checked="" type="checkbox"/> Mercantile | <input type="checkbox"/> Industrial |
| <input type="checkbox"/> Cleveland Electric Illuminating | <input type="checkbox"/> Residential | <input checked="" type="checkbox"/> Commercial | <input checked="" type="checkbox"/> Mercantile | <input type="checkbox"/> Industrial |
| <input type="checkbox"/> Cincinnati Gas & Electric       | <input type="checkbox"/> Residential | <input type="checkbox"/> Commercial            | <input type="checkbox"/> Mercantile            | <input type="checkbox"/> Industrial |
| <input type="checkbox"/> Monongahela Power               | <input type="checkbox"/> Residential | <input type="checkbox"/> Commercial            | <input type="checkbox"/> Mercantile            | <input type="checkbox"/> Industrial |

**X American Electric Power**

- |  |                                      |  |  |                                     |
|--|--------------------------------------|--|--|-------------------------------------|
| <input type="checkbox"/> Ohio Power              | <input type="checkbox"/> Residential | <input checked="" type="checkbox"/> Commercial | <input checked="" type="checkbox"/> Mercantile | <input type="checkbox"/> Industrial |
| <input type="checkbox"/> Columbus Southern Power | <input type="checkbox"/> Residential | <input checked="" type="checkbox"/> Commercial | <input checked="" type="checkbox"/> Mercantile | <input type="checkbox"/> Industrial |
| <input type="checkbox"/> Dayton Power and Light  | <input type="checkbox"/> Residential | <input type="checkbox"/> Commercial            | <input type="checkbox"/> Mercantile            | <input type="checkbox"/> Industrial |

**A-10 Provide the approximate start date that the applicant proposes to begin delivering services  
January 1, 2002**

A-11 Exhibit A-11 "Principal Officers, Directors & Partners"

Mark Harris is the President and Chief Executive Officer.

A-12 Exhibit A-12 "Corporate Structure,"

Biomass Group LLC is a Kentucky limited liability company that is solely owned by Mr. Harris. There are four subsidiaries

BioCarbonics, LLC  
Biomass Energy LLC  
Biomass Gasification, LLC  
Fuel Services, LLC.

None of these subsidiaries are active at this time.

**A-13 Exhibit A-13 "Company History."**

Biomass Group, LLC was formed for the sole purpose of constructing and operating a power generation station that is fired by waste sawdust, wood chips and other biomass. The site for the facility is in Lawrence County along the Ohio River, adjacent to a wooden cabinet making factory. The site is also within easy transport distance of a number of logging and forest product operations. The planned biomass generation station will have a name plate rating of 95 MW and will replace a current coal fired industrial generator. An application has been filed under American Electric Power Company's (AEP) Open Access Transmission Tariff for transmission rights into the AEP system at South Point station.

As planned the Biomass generation station will qualify as "green power" as it will operate with a 100% renewable fuel source. It will also provide a solid waste disposal solution for the cabinet and forest products companies which will in turn be the Biomass fuel suppliers.

A-14 Exhibit A-14 "Articles of Incorporation and Bylaws,"

ARTICLES OF ORGANIZATION  
OF  
BIOMASS GROUP, LLC

RECEIVED & FILED  
Nov 4 2 59 PM '97  
JOHN V. SECRETARY  
OF THE COMMONWEALTH OF KENTUCKY

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, Billy R. Shelton, does hereby form a Limited Liability Company pursuant to KRS Chapter 275 and does hereby adopt the following Articles of Organization:

Article I. The Limited Liability Company hereby proposed to be organized and formed shall be known as BIOMASS GROUP, LLC.

Article II. The purpose of this Limited Liability Company is to engage in any and all lawful business under the laws of the Commonwealth of Kentucky.

Article III. The name and address of the Limited Liability Company's initial registered agent shall be Hon. Billy R. Shelton, 761 Pinnacle Court, Lexington, Kentucky 40515.

Article IV. The principal and initial office of this Limited Liability Company shall be 5555 Rockwell Road, P. O. 627, Winchester, Kentucky 40392-0627.

Article V. The duration of this Limited Liability Company shall be perpetual, if not sooner dissolved.



Article VI. The Limited Liability Company has four (4) members and the name of those members is as follows:

- a. Mark Harris
- b. Mark Justus
- c. William Parrish
- d. Billy R. Shelton

Article VII. The Limited Liability Company is to be managed by the members of this Limited Liability Company.

Article VIII. The Limited Liability Company shall indemnify each member of the Limited Liability Company, or his personal representative, against claims, liabilities, expenses, and costs actually and necessarily incurred by him or his estate in connection with, or arising out of, any action in which he is made a party by reason of his being or having been a member of the Limited Liability Company, except as to matters for which he shall be adjudged to be liable because of actual negligence or misconduct in the performance of his duties as a member. This right of indemnification shall also apply to any amount paid in compromise or settlement of any such action, and expenses and costs actually and necessarily incurred therewith, provided that the members of the Limited Liability Company shall have first made a determination that the member involved was not guilty of actual negligence or misconduct, and approve the compromise or settlement.

IN WITNESS WHEREOF, this the 10<sup>th</sup> day of Oct.,  
1997.

Billy R. Shelton  
Billy R. Shelton

STATE OF KENTUCKY  
COUNTY OF Fayette

The foregoing Articles of Organization were acknowledged  
and subscribed before me by Billy R. Shelton, this the 10<sup>th</sup> day of  
Oct., 1997.

My Commission Expires 9/22/99

Janice S. Hanks  
NOTARY PUBLIC

This instrument was prepared by:

Billy R. Shelton  
Billy R. Shelton  
841 Corporate Drive  
Suite 101  
Lexington, Kentucky 40503

**AMENDED AND RESTATED OPERATING AGREEMENT  
OF  
BIOMASS GROUP, LLC**

THIS AMENDED AND RESTATED OPERATING AGREEMENT is executed effective as of the 9th day of August, 2000, by the sole Member whose signature appears on the signature page hereof.

**WITNESSETH:**

WHEREAS, on August 9, 2000, Mark E. Harris did purchase from Messrs. William Parrish, Mark Justus and Billy Shelton all of their respective membership interests in Biomass Group, LLC;

WHEREAS, as a result of said purchase Mark E. Harris became the sole member of Biomass Group, LLC; and

WHEREAS, Mark E. Harris is desirous of amending and restating the Operating Agreement of Biomass Group, LLC to reflect the fact that he is the sole member and such other terms and conditions as are stated herein.

NOW THEREFORE, in consideration of the afore-said premises, the sole Member does hereby revoke any and all prior operating Agreements of Biomass Group, LLC and hereby adopts the following Amended and Restated Operating Agreement of Biomass Group, LLC effective as of the date first above written.

**ARTICLE I  
ORGANIZATION**

**1.01 FORMATION.**

On November 4, 1997, Mark E. Harris, as Organizer, duly executed and filed Articles of Organization with the Kentucky Secretary of State forming a member managed limited liability company (the "Company") under the laws of the Commonwealth of Kentucky. The Member hereby ratifies said Articles of Organization. In the event of a conflict between the terms of this Operating Agreement and the Articles of Organization, the terms of the Articles of Organization shall prevail.

**1.02 NAME.**

The name of this Company shall be "BIOMASS GROUP, LLC".

**1.03 PURPOSES.**

The Company may engage in any lawful business for which limited liability companies may be organized under the Kentucky Limited Liability Company Act codified as KRS Chapter 275 (the "Act") as the Member may determine appropriate from time to time. The Company shall have any and all powers which are necessary or desirable to carry out the purposes and business of the Company, to the extent the same may be legally exercised by limited liability companies under the Act. The Company shall carry out the foregoing activities pursuant to the arrangements set forth in the Articles of Organization and this Operating Agreement.

**1.04 PRINCIPAL OFFICE.**

The location of the principal place of business of the Company is 700 Spears Mill Road, Paris, Kentucky 40361. The Company may have such other offices, either within or without the Commonwealth of Kentucky, as the Member may designate or as the business of the Company may from time to time require.

**1.05 REGISTERED OFFICE; REGISTERED AGENT.**

The address of the initial registered office of the Company is 201 E. Main Street, Suite 1000, Lexington, Kentucky 40507, and the initial registered agent at such address is Douglas P. Romaine. The registered office and registered agent may be changed from time to time by action of the Company and by filing the prescribed form with the Kentucky Secretary of State pursuant to the Act.

**1.06 NAME AND ADDRESS OF SOLE MEMBER.**

The name and address of the sole Member is Mark E. Harris, 700 Spears Mill Road, Paris, Kentucky 40361.

**1.07 TERM.**

The term of the Company shall commence on the date of filing of Articles of Organization with the Secretary of State of Kentucky, as set forth above, and shall continue until terminated in accordance with either the provisions of this Operating Agreement or the Act.

**ARTICLE II**  
**CONTRIBUTIONS TO THE COMPANY; MEMBER'S INTEREST; ADDITIONAL**  
**MEMBERS**

**2.01 INITIAL CAPITAL CONTRIBUTION.**

The Member has contributed \$100.00 to the capital of the Company in exchange for a 100% interest in the Company (the "Interest").

**2.02 ADDITIONAL CAPITAL CONTRIBUTIONS.**

The Member shall not have any personal liability for the liabilities or obligations of the Company except to the extent of its capital contribution set forth in Section 2.01 and the Member shall not be required to make any additional capital contributions to the Company.

**2.03 LOANS.**

The Member may make advances to the Company from time to time upon such terms and conditions as agreed upon between the loaning Member and the Company.

**2.04 PERMITTED USE OF CONTRIBUTIONS/LOANS.**

The capital contributions of the Member or any loans to the Company may be used for any purpose permitted by this Operating Agreement and consistent with the Company's purposes.

**2.05 RETURN ON CAPITAL.**

The Member shall not receive any payment of interest, salary, drawing or other distributions with respect to its capital contributions except as specifically provided for herein.

**2.06 CERTIFICATES.**

A Certificate representing the Interest owned by the Member in the Company shall be in such form as shall be determined by the Member. Such Certificate shall be signed by the Member on behalf of the Company.

**2.07 TRANSFERS OF INTEREST.**

The Member may dispose of all or any portion of its Interest. If the Member transfers its entire Interest, then the transferee shall be admitted as a substituted upon completion of the transfer without further action and shall be the Member for purposes of this Operating Agreement. If the Member transfers less than its entire interest, then the transfer shall be admitted as a substituted Member with respect to the transferred Interest upon the written consent of the Member.

## **2.08 ADDITIONAL MEMBERS.**

The Member may admit additional Members and determine the ownership interest of each. Upon the admission of another Member, the Operating Agreement shall be revised to address the relative rights and obligations of the Members.

## **2.09 CAPITAL ACCOUNTS.**

An individual capital account shall be maintained for each Member. The capital account of each Member shall be equal to his initial capital contribution, increased by (a) additional capital contributions made by him, and (b) his share of Company profits, and decreased by (a) distributions to him by the Company, and (b) his share of Company losses.

With respect to capital contributions to the Company by a Member or distributions by the Company to a Member in any form other than cash, the amount of such contributions or distributions shall be deemed to be the fair market value thereof (net of liabilities secured by such property) as determined by the unanimous agreement of the Members, or if the Members are unable to so agree, by a qualified independent appraiser selected by the Managing Member.

The manner in which capital accounts are to be maintained pursuant to this Section is intended to comply with the requirements of IRC § 704(b) and the Treasury Regulations promulgated thereunder.

# **ARTICLE III TAX STATUS AND DISTRIBUTIONS**

## **3.01 TAX STATUS.**

The Company shall be a "disregarded entity" and taxed as a sole proprietorship of the sole Member. The Company shall make any and all necessary filings under the applicable Treasury Regulations to have the Company so taxed.

## **3.02 DISTRIBUTIONS.**

Distributions by the Company shall be made at such times and in such amounts as the Member shall determine. All distributions shall be made to the sole Member.

# **ARTICLE IV GOVERNANCE: - MEMBER MANAGED**

## **4.01 MANAGEMENT OF COMPANY.**

Management of the Company shall be vested in the sole Member, Mark E. Harris.

**ARTICLE V  
FISCAL MATTERS**

**5.01 FISCAL AND TAXABLE YEAR.**

The fiscal and taxable year of the Company shall begin on the first day of January and end on the last day of December each year.

**5.02 DEPOSITS.**

All funds of the Company shall be deposited from time to time to the credit of the Company in such banks, trust companies or other depositories as the Member may select.

**5.03 CHECKS, DRAFTS, ETC.**

All checks, drafts or other orders for the payment of money, and all notes or other evidences of indebtedness issued in the name of the Company shall be signed by the Member.

**5.04 LOANS.**

No loans shall be contracted on behalf of the Company or no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Company and signed by the Member.

**5.05 CONTRACTS.**

The Company may authorize any agent of the Company, in addition to the Member, to enter into any contract or execute any instrument in the name of an on behalf of the Company, and such authority may be general or confined to specific instances.

**5.06 ACCOUNTANT.**

An accountant may be selected from time to time by the Member to perform such tax and accounting services as may, from time to time be required. The accountant may be removed by the Member without assigning any cause.

**5.07 LEGAL COUNSEL.**

One or more attorney(s) at law may be selected from time to time by the Member to review the legal affairs of the Company and to perform such other services as may be required and to report to the Member with respect thereto. The legal counsel may be removed by the Member without assigning any cause.

**ARTICLE VI  
MISCELLANEOUS PROVISIONS**

**6.01 SEVERABILITY.**

Every provision of this Operating Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Operating Agreement.

**6.02 GOVERNING LAW.**

This Operating Agreement, and the application or interpretation thereof, shall be governed exclusively by its terms and by the laws of the Commonwealth of Kentucky.

**6.03 AMENDMENTS.**

This Operating Agreement may be amended by the act of the Member.

**6.04 SUCCESSORS AND ASSIGNS.**

Subject to the restrictions on transferability of interests contained herein, this Operating Agreement and all the terms and provisions hereof shall be binding upon and inure to the benefit of the Member, her heirs, successors and assigns.

**6.05 BOOKS AND RECORDS.**

The books and records of the Company, including any records required by KRS 275.185, shall be kept at the principal office of the Company or at such other places, within or without the Commonwealth of Kentucky, as the Member shall from time to time determine.

**6.06 FINANCIAL RECORDS.**

All financial records shall be maintained and reported in a manner selected by the President.

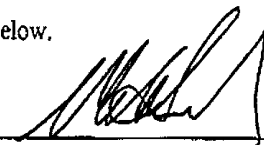
**6.08 HEADINGS; PRONOUNS.**

The headings appearing in this Agreement have been inserted solely for the convenience of the parties and to assist in locating provisions of this Agreement, and shall not be used in construing or interpreting this Agreement. Whenever from the context it appears appropriate, the singular tense shall include the plural, and vice versa, and reference to one gender shall include reference to the others.

IN WITNESS WHEREOF, this instrument has been executed as of the day and year first



above written by the sole Member whose signature appears below.

  
Mark E. Harris

06203-0973



# The State of Ohio

**Bob Taft**

Secretary of State

LF 9955

## Certificate

It is hereby certified that the Secretary of State of Ohio has custody of the Records of Incorporation and Miscellaneous

Filings: that said records show the filing and recording of: LPA

of:

BIOMASS GROUP, LLC

United States of America  
State of Ohio  
Office of the Secretary of State



Recorded on Roll 6203 at Frame 0974 of  
the Records of Incorporation and Miscellaneous Filings.

Witness my hand and the seal of the Secretary of State at

Columbus, Ohio, this 25TH day of FEB .

A.D. 19 98 .

*Bob Taft*  
Bob Taft  
Secretary of State

**B-1** **Exhibit B-1 “Jurisdictions of Operation,”** provide a list of all jurisdictions in which the applicant or any affiliated interest of the applicant is, at the date of filing the application, certified, licensed, registered, or otherwise authorized to provide retail or wholesale electric services.

Biomass’ Ohio site is the first and only generating facility for the Company. Biomass Group, LLC is not licensed or certificated in any other jurisdiction.

- B-2 Exhibit B-2 "Experience & Plans," provide a description of the applicant's experience and plan for contracting with customers, providing contracted services, providing billing statements, and responding to customer inquiries and complaints in accordance with Commission rules adopted pursuant to Section 4928.10 of the Revised Code.

Biomass seeks only a certificate as a generator provider of "green power". It has opened preliminary negotiations with a single mercantile retail buyer to take the full out-put of the single biomass generation station. Since Biomass seeks to provide bulk power its scheduling activities will be very limited, and since it does not plan to mass market or sell to customers who would require balancing or load shaping services it does not anticipate needing an administrative staff to answer consumer inquiries.

At this time, Biomass plans to provide its single out put buyer with the 24 hour phone numbers of the plant operation staff and the chief executive officer to address either operational problems or scheduling and billing concerns.

**Experience in providing service:**

As a start up operation Biomass Group, LLC has no experience in either electric generation, nor in electric services sales. Biomass owns the current coal fired generator, which is not operable at this time, and the land and road / potential barge site. Biomass has contracted with consultants who are addressing the conversion requirements and has begun the environmental permitting process necessary to obtain the required permits to install and permits to operate a biomass fired generation station.

**B-3** **Exhibit B-3 "Summary of Experience."** provide a concise summary of the applicant's experience in providing the service(s) it is seeking to be certified to provide (e.g. number and types of customers served, utility service areas, amount of load, etc.).

None -- see B-2

**B-4** **Exhibit B-4 "Environmental Disclosure,"** provide a detailed description of how the applicant intends to determine its (a) generation resource mix, and (b) environmental characteristics, including air emissions and radioactive waste. This information shall include sufficient discussion so as to detail both the annual projection methodology and the proposed approach to compiling the quarterly actual environmental disclosure data. Additional details on this requirement may be obtained by referring to 4901:1-21-09.

As a green power facility, built for the expressed purpose of providing solid waste removal and biomass fired energy, Biomass should have all the necessary records and information to meaningfully comply with the consumer environmental disclosures called for in OAC 4901:1-21-09.

In March, June and September and December of each year, Biomass will send to its customer data detailing the resource mix and environmental data for generation for the preceding quarter shall be prepared and disclosed to the public in accordance with OAC 4901:1- 21-09 (C) (3).

**B-5** **Exhibit B-5 "Disclosure of Liabilities and Investigations,"** provide a description of all existing, pending or past rulings, judgments, contingent liabilities, revocation of authority, regulatory investigations, or any other matter that could adversely impact the applicant's financial or operational status or ability to provide the services it is seeking to be certified to provide.

There are no existing, pending, or past rulings, judgements, contingent liabilities, revocation of authority, or regulatory investigations for Biomass Group LLC, or any entity owned and operated by Mark Harris.

- B-6 Disclose whether the applicant, a predecessor of the applicant, or any principal officer of the applicant have ever been convicted or held liable for fraud or for violation of any consumer protection or antitrust laws within the past five years.

☒ No      ☐ Yes

If yes, provide a separate attachment labeled as **Exhibit B-6 "Disclosure of Consumer Protection Violations"** detailing such violation(s) and providing all relevant documents.



**B-7** Disclose whether the applicant or a predecessor of the applicant has had any certification, license, or application to provide retail or wholesale electric service curtailed, suspended, revoked, or cancelled within the past two years.

☒ No      ☐ Yes

If yes, provide a separate attachment labeled as **Exhibit B-7 "Disclosure of Certification Anomalies"** detailing such action(s) and providing all relevant documents.

C-1 Exhibit C-1 "Annual Reports," provide the two most recent Annual Reports to Shareholders. If applicant does not have annual reports, the applicant should provide similar information in Exhibit C-1 or indicate that Exhibit C-1 is not applicable and why.

As a privately held corporation in the development stage, Biomass Group, LLC has neither prepared nor issued an annual report.

**C-2** **Exhibit C-2 “SEC Filings,”** provide the most recent 10-K/8-K Filings with the SEC. If applicant does not have such filings, it may submit those of its parent company. If the applicant does not have such filings, then the applicant may indicate in Exhibit C-2 that the applicant is not required to file with the SEC and why.

Biomass Group, LLC is not a publicly held corporation, and thus has no reporting requirements it must fulfill with the SEC.

- C-3 **Exhibit C-3 "Financial Statements,"** provide copies of the applicant's two most recent years of audited financial statements (balance sheet, income statement, and cash flow statement). If audited financial statements are not available, provide officer certified financial statements. If the applicant has not been in business long enough to satisfy this requirement, it shall file audited or officer certified financial statements covering the life of the business.

Since Biomass Group LLC is not in commercial operation at this time, the financial information provided consists of the Consolidated Balance sheet which lists assets and liabilities and note no income statement activity. Also provided are the unaudited notes. The verification is by Mark Harris the sole owner and is incorporated in the affidavit attached under the last tab of the application.

Biomass Group, LLC  
Consolidated Balance Sheet  
As of September 30, 2000

Assets

Fixed Assets

Plant and Equipment	\$35,000,000
Land	\$2,000,000
Power Purchase Agreement	
Permits	\$5,000,000
Coal	\$600,000

**Total Assets** **\$42,600,000**

Liabilities

Current Liabilities

Land	\$2,000,000
Contributed Capital	\$3,000,000
Debt Obligations	\$1,125,000

**Total Liabilities** **\$6,125,000**

**Net Worth** **\$36,475,000**

See Accompanying notes to financial statements

Biomass Group, LLC  
Consolidated Income Statement  
For the period June 30, 1999 to September 30, 2000

No income statement activity.

Biomass Group, LLC  
Footnotes to Consolidated Financial Statements  
As of September 30, 2000

Background:

The Biomass Group, LLC ("the Group") is comprised of the following companies:

BioCarbonics, LLC  
Biomass Energy, LLC  
Biomass Gasification, LLC  
Fuel Services, LLC

These financial statements reflect the combined financials of the five entities. Each company is a Limited Liability Company formed under the laws of Kentucky. The four subsidiaries are owned 99.9% by the parent company, Biomass Group, LLC. The parent company is owned solely by Mark Harris.

The overall purpose of the group is to own and operate a 95 megawatt power plant in South Point Lawrence County, Ohio.

At present, the Group is in the development stage. The initial capitalization of the Group has been completed. The Group is currently working on procuring financing through the issuance of bonds, the sale of SO2 emission credits, and sale of certain security interest in the Group. As such, the Group and the member companies are not actively conducting business.

The initial capitalization of the Group and its subsidiaries was accomplished by the contribution of assets and the assumption of liabilities, namely reimbursement of expenses incurred on behalf of the Group. These financials reflect the results of the capitalization transactions.

Plant and Equipment

The plant and equipment is reflected at a negotiated value. The plant and certain equipment were acquired by a related entity, Industrial Surplus, Inc. The owners of that entity, Mark Harris and Bill Parrish, purchased the plant with the intention of creating this group of companies to own and operate the plant. The transfer of ownership of the plant and assets occurred January 2, 1998. The current value of the plant and equipment is estimated at \$35,000,000. The operational value of the plant is significantly higher. To build a new plant of this size, it would cost approximately \$ 100,000,000. Management estimates that it will cost \$ 46,000,000 to bring the plant on line.

Biomass Group, LLC  
Footnotes to Consolidated Financial Statements  
As of September 30, 2000

At present, the only debt of the venture is \$1,125,000 owed on a secured basis to an unrelated entity.



Biomass Group, LLC  
Footnotes to Consolidated Financial Statements  
As of September 30, 2000

Management is pursuing financing through various avenues. Therefore, the debt structure and the form of project financing is uncertain. However, the group has received a bond inducement from the Ohio Air Quality Commission in the amount of \$ 60,000,000. The final terms of the bonds and bond issuance have not been determined.

SO2 Credits

Due to the fuel and process being employed to produce power, the group will significantly reduce air pollution emissions. This reduction enables the venture to generate excess SO2 credits. These credits result from the reduction of sulfur dioxide emissions. SO2 credits can be marketed and sold and are publicly traded on the Chicago Board of Trade. The sale of these excess credits is expected to yield approximately \$ 1,500,000 per year. Credits may be prospectively sold. Management is considering selling the initial five years of excess credits.

Renewables Credits

By burning renewable fuel the venture will earn certain tax credits. These credits are valuable.

Power Contracts

The Group, via Biomass Energy, LLC, had previously entered into an agreement with Southern Energy Trading and Marketing, Inc., a subsidiary of Southern Corporation. This agreement was to provide for on-peak power sales at guaranteed prices for five years. Currently the Group is in negotiations with alternate purchasers of its production. These negotiations are contemplated in pro-forma statements provided by the Group.

Biomass Group, LLC  
Financial Statement  
As of June 30, 1999

Assets

Plant and Equipment	\$2,700,000.00
Land: 80.8 acres	1,750,000.00
Power Purchase Contract with Air Permit	17,500,000.00
Coal:	
Allied Signal: 130,000 tons @ 6.94 ton	902,200.00
Philip Services: 50,000 tons @ 6.50 ton	325,000.00
Total Assets	\$23,177,200.00

Liabilities

Land: Huntington National Bank	1,350,000.00
Land: Strategic Energy	130,000.00
Total Liabilities	1,480,000.00
Net Worth	\$21,697,200.00

Biomass Group, LLC  
Consolidated Balance Sheet  
As of January 21, 1998

Assets

Fixed Assets

Plant and Equipment

\$ 2,000,000.

Other Assets

Organizational Costs

5,000.

Total Assets

\$ 2,005,000.

Liabilities

Current Liabilities

Accounts Payable - Related Company

\$ 1,005,000.

Total Liabilities

1,005,000.

Contributed Capital

1,000,000.

Total Liabilities and Contributed Capital

\$ 2,005,000.

See Accompanying notes to financial statements

Biomass Group, LLC  
Consolidated Income Statement  
For the initial period January 1, 1998 to January 21, 1998

No income statement activity.

See Accompanying notes to financial statements

C-4 Exhibit C-4 "Financial Arrangements," provide copies of the applicant's financial arrangements to conduct CRES as a business activity (e.g., guarantees, bank commitments, contractual arrangements, credit agreements, etc.,).

All financial arrangements to date are shown in section C-3.

**C-5 Exhibit C-5 "Forecasted Financial Statements,"** provide two years of forecasted financial statements (balance sheet, income statement, and cash flow statement) for the applicant's CRES operation, along with a list of assumptions, and the name and address of the preparer.

A pro forma Income Statement for calendar years 2002 and 2003 are provided. Note that Biomass Group does not plan to commence generation activities until 2002.

three year proforma

# Pro-Forma Income Statement (Accrual Basis)

	2001	2002	2003
<b>Revenues</b>			
Total & Off-Site Sales - BaseLoad (20MW/24/360/22.20 p/WHV)		20,247,390	20,247,390
Total Revenues from Energy Sales		20,247,390	20,247,390
Emission Credits SO2 Credits (6504 ton/yr) (short ton)	\$ -	746,677	746,677
NO2 Credits (1618 ton/yr) (short ton)	\$ -	746,677	746,677
Total Revenues from Emission Credit Trading	\$ -	1,493,354	1,493,354
Total Revenues	-	20,994,037	21,740,744
Tax Credits 2076W @ \$200K/WHV/24/360/22.20	-	4,781,700	4,781,700
	-	25,775,737	26,522,444
<b>Expenses</b>			
Fixed:			
Depreciation (46,181,600)	\$ -	2,309,076	2,309,076
Interest on \$0,000,000 @ 4.25%, 20 years	\$ 2,550,000	2,495,564	2,579,683
Operating and Maintenance			
Labor		1,529,994	1,591,194
Insurance		79,001	81,371
Operator Maintained Insurance		14,801	15,319
Materials and Service Costs		32,880	34,134
Chemicals and Water Treatment	0	23,116	23,924
Power Purchase (Parasitic Load) 7MW	0	1,764,000	1,764,000
Office and Administration		28,836	30,946
Training		21,162	21,824
Contract Services		40,634	42,056
Miscellaneous Operating Expenses		21,966	22,736
Maintenance and Minor Repair		22,452	23,236
Operator Management Fee		336,376	346,146
Management Contract		500,000	500,000
Total Fixed Expenses	\$ 500,000	\$ 6,692,118	\$ 6,697,722
<b>Variable:</b>			
Fuel:			
Natural Gas for processing only		500,000	500,000
Wood (On-Peak)		1,846,457	1,846,457
Wood (Off-Peak)		1,850,644	1,850,644
Other:			
Materials and Service Costs		85,302	86,266
Chemicals and Water Treatment		161,504	166,807
Contract Services		33,786	34,995
Maintenance and Minor Repair		234,170	242,346
Total Variable Expenses	\$ 4,607,662	\$ 4,620,629	\$ 4,620,629
Grand Total Expenses	\$ 2,550,000	\$ 13,199,878	\$ 13,218,352
Net Income	(2,550,000)	\$ 12,675,761	\$ 13,321,510

11/14/2000

three year proforma

Pro Forma Cash Flow

Net Income	\$	(2,550,000)	\$	12,576,761	\$	13,331,510
Depreciation (46,181,566) straight line no salvage	\$	2,308,078	\$	2,308,078	\$	2,308,078
net income - depreciation	\$	(240,922)	\$	14,884,840	\$	15,640,588
Principal Pay Down on \$50,000,000 20yr Amortization		(2,204,112)	\$	1,983,190	\$	2,046,628
				12,668,214		15,640,588



- C-6 **Exhibit C-6 “Credit Rating,”** provide a statement disclosing the applicant’s credit rating as reported by two of the following organizations: Duff & Phelps, Dun and Bradstreet Information Services, Fitch IBCA, Moody’s Investors Service, Standard & Poors, or a similar organization. In instances where an applicant does not have its own credit ratings, it may substitute the credit ratings of a parent or affiliate organization, provided the applicant submits a statement signed by a principal officer of the applicant’s parent or affiliate organization that guarantees the obligations of the applicant.

None

C-7 Exhibit C-7 "Credit Report," provide a copy of the applicant's credit report from Experian, Dun and Bradstreet or a similar organization.

Since Biomass Group, LLC has yet to leave the development stage, credit reports are not available.

C-8 Exhibit C-8 "Bankruptcy Information," provide a list and description of any reorganizations, protection from creditors or any other form of bankruptcy filings made by the applicant, a parent or affiliate organization that guarantees the obligations of the applicant or any officer of the applicant in the current year or within the two most recent years preceding the application.

Biomass Group, LLC has not sought any form of protection from creditors nor plans to.

C-9 Exhibit C-9 "Merger Information," provide a statement describing any dissolution or merger or acquisition of the applicant within the two most recent years preceding the application.

There has been no dissolution or merger or acquisitions.

D-1 **Exhibit D-1 "Operations"** provide a written description of the operational nature of the applicant's business. Please include whether the applicant's operations will include the generation of power for retail sales, the scheduling of retail power for transmission and delivery, the provision of retail ancillary services as well as other services used to arrange for the purchase and delivery of electricity to retail customers.

The proposed operation of the Biomass generation facility in Lawrence County is to burn scrap wood, sawdust and other forest product manufactures biomass waste and covert same into electric power. The electric power is to be sold as base load power to mercantile commercial customer interested in having a portion of its power portfolio in green power. Biomass Group LLC is in the process of securing transmission rights from AEP to move its green power to market.

At this time, Biomass is expecting the customer or its aggregator to arrange the scheduling. Biomass would be paid for power delivered to AEP at South Point Station, Lawrence County, Ohio based upon the AEP meter reading.

**D-2** **Exhibit D-2 “Operations Expertise,”** given the operational nature of the applicant’s business, provide the applicant’s experience and technical expertise in performing such operations.

Biomass Group, LLC. Anticipates contracting out the operation and maintenance of its generation facility to a qualified service provider.

**D-3** Exhibit D-3 “Key Technical Personnel,” provide the names, titles, and phone numbers of key personnel involved in the operational aspects of the applicant’s business.

The following are the key contractors that Biomass Group, LLC. has retained for the planning, permitting and construction phases of the biomass generator.

Dan Itse - Christoperson Engineering Corp., President, 603-895-4929

Guy Jamesson - Malcom Perni, Inc., PE, Associate, 614-430-2632

Fred Bush - Burns and Roe Enterprises, Inc., Sr. Consultant, 201-986-3900

**D-4** **Exhibit D-4 "FERC Power Marketer License Number,"** provide a statement disclosing the applicant's FERC Power Marketer License number. (Power Marketers only)

Not applicable as Biomass Group, LLC does not seek to be either an intrastate or interstate power marketer or broker. Biomass Group, LLC. seeks to be a generation provider, but because of its limited size and green power specialty seeks to sell retail as opposed to wholesale.



## AFFIDAVIT

State of Ohio:

SS

County of Hamilton:

I Mark E. Harris , Affiant, being duly sworn/affirmed according to law, deposes and says that:

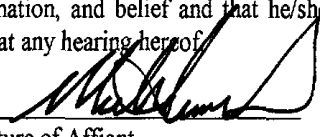
He is the President of Biomass Energy, LLC. ;

That he is authorized to and does make this affidavit for said Applicant,

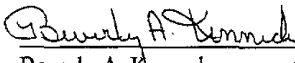
1. The Applicant herein, attests under penalty of false statement that all statements made in the application for certification are true and complete and that it will amend its application while the application is pending if any substantial changes occur regarding the information provided in the application.
2. The Applicant herein, attests it will timely file an annual report with the Public Utilities Commission of Ohio of its intrastate gross receipts, gross earnings, and sales of kilowatt-hours of electricity pursuant to Division (A) of Section 4905.10, Division (A) of Section 4911.18, and Division (F) of Section 4928.06 of the Revised Code.
3. The Applicant herein, attests that it will timely pay any assessments made pursuant to Sections 4905.10, 4911.18, or Division F of Section 4928.06 of the Revised Code.
4. The Applicant herein, attests that it will comply with all Public Utilities Commission of Ohio rules or orders as adopted pursuant to Chapter 4928 of the Revised Code.
5. The Applicant herein, attests that it will cooperate fully with the Public Utilities Commission of Ohio, and its Staff on any utility matter including the investigation of any consumer complaint regarding any service offered or provided by the Applicant.
6. The Applicant herein, attests that it will fully comply with Section 4928.09 of the Revised Code regarding consent to the jurisdiction of Ohio Courts and the service of process.

7. The Applicant herein, attests that it will comply with all state and/or federal rules and regulations concerning consumer protection, the environment, and advertising/promotions.
8. The Applicant herein, attests that it will use its best efforts to verify that any entity with whom it has a contractual relationship to purchase power is in compliance with all applicable licensing requirements of the Federal Energy Regulatory Commission and the Public Utilities Commission of Ohio.
9. The Applicant herein, attests that it will cooperate fully with the Public Utilities Commission of Ohio, the electric distribution companies, the regional transmission entities, and other electric suppliers in the event of an emergency condition that may jeopardize the safety and reliability of the electric service in accordance with the emergency plans and other procedures as may be determined appropriate by the Commission.
10. If applicable to the service(s) the Applicant will provide, the Applicant herein, attests that it will adhere to the reliability standards of (1) the North American Electric Reliability Council (NERC), (2) the appropriate regional reliability council(s), and (3) the Public Utilities Commission of Ohio. (Only applicable if pertains to the services the Applicant is offering)

That the facts above set forth are true and correct to the best of his/her knowledge, information, and belief and that he/she expects said Applicant to be able to prove the same at any hearing hereof.

  
\_\_\_\_\_  
Signature of Affiant

Sworn and subscribed before me this 29<sup>th</sup> day of November, 2000  
Month Year

  
Beverly A. Kennedy  
BEVERLY A. KENNEDY Notary Public  
Notary Public, State of Ohio  
My Commission Expires Jan. 11, 2001

My commission expires on \_\_\_\_\_