

Contractual Structures

Lease Agreement or Commodity Sales Agreement

Once a project has been successfully completed and is found to meet performance requirements, the lease commences. This Lease Agreement sets forth the specifications for delivery of the utility or infrastructure product, and also defines the responsibilities for operation and maintenance of the facilities, whether they are actually run by your company or by Peregrine.

The Lease Agreement addresses the following areas:

- Commodity Pricing (utility or infrastructure product)
- Routine and Preventative Maintenance Requirements
- Operating Procedures
- Compliance with Applicable Laws
- Responsibility of Licenses and Permits
- Installation of Future Capital Improvements
- Overall Management of the Facilities
- Procedures for Handling Utility Interruptions
- Contract Term and Renewal Options
- Default Provisions
- Purchase Options
- Unwind Provisions

The pricing of the utility commodities usually includes a base purchase obligation, which represents the fixed cost of producing the utility commodity (including capital investment, labor, etc.) and a charge for incremental use above the base. This incremental charge represents the variable cost components involved in production (fuel, chemical costs, supplies, maintenance, etc.).

This agreement calls for the formation of a management committee, which serves as the liaison between Peregrine and your company. This committee addresses such issues as changes in production schedules, quality and reliability issues, future capital improvements and any other relevant topics that may arise.

Fuel costs (coal, gas, oil and/or propane) can be handled in a variety of ways. Fuel pricing may be fixed, with long-term procurement contracts, or handled as a direct pass-through based on monthly purchases. Also, Peregrine offers a level payment structure with true-ups that allow our customers to budget exact fuel expenditures from month to month.

Our Lease Agreements also conform to the operating lease rules that are necessary for off-balance sheet treatment of the transaction.

