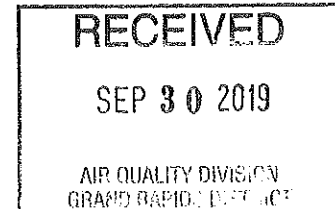


September 25, 2019



Ms. Kaitlyn DeVries
Environmental Quality Analyst
Michigan Department of Environment, Great Lakes and Energy ("EGLE")
Air Quality Division
State Office Building
350 Ottawa Avenue NW
Unit 10
Grand Rapids, MI 49503-2341

Re: Generate Fremont Digester, SRN: N8210, Response to September 2,
2019 Violation Notice

Dear Ms. DeVries:

On behalf of our client, Generate Capital ("Generate"), we are providing this response letter regarding the above-referenced violation notice. We appreciate your participation in the September 18, 2019 meeting with your colleagues in EGLE's Lansing Office. Generate is committed to regulatory compliance and appreciates EGLE's assistance in participating in this meeting on short notice. At that time, we discussed each alleged violation and a proposed resolution. This is the formal response to the violation notice. For ease of reference, we have provided the alleged violation followed by Generate's response.

1. EUDIGESTER: Failure to maintain and operate EUDIGESTER in accordance with the required Preventative Maintenance Plan ("PMP").

Response:

As discussed during the September 18th meeting, the facility does have a PMP but it is in need of updating. Generate has committed to update the plan by October 18, 2019. However, please be advised that the facility does continuously maintain and properly operate the digester. Further, over the last few weeks, facility personnel have provided the following documentation to EGLE evidencing that preventative maintenance is occurring:

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- 528 pages of physical inspection reports consisting of visual inspections and site walks dating from August 2018 to August 22, 2019 detailing more than 500 individual physical inspections, visual observations and site walks conducted by facility staff of the EUDIGESTER.
- 50 pages of supporting documentation including 24 unique work orders that were completed during the execution of continuous ongoing operations and maintenance of the EUDIGESTER completed between August 2018 and August 22, 2019.

Please know that the documentation provided is not exhaustive of all maintenance performed.

2. EUWASTE_TRANSFER: Failure to maintain and operate EUWASTE_TRANSFER in accordance with the required Preventative Maintenance Plan.

Response:

As stated in the response to number 1 above, Generate has committed to update the plan by October 18, 2019. Regardless, please be advised that the facility does maintain records evidencing that proper preventative maintenance is occurring. The facility is not aware of any request by EGLE to review these records to determine compliance.

3. EUWASTE_TRANSFER: Failure to maintain and operate the biofilter associated with the EUWASTE_TRANSFER.

Response:

As discussed during the September 18th meeting, Generate and EGLE are in agreement that this violation relates to an August incident in which the biofilter was not operational. Generate was in the process of performing maintenance activities on the biofilter control equipment when it recognized that the biofilter itself was in need of repair. Generate promptly and proactively notified EGLE that there was need for maintenance to the biofilter the same day that need for repair was discovered at the facility. The unit in question was out of order at the time of EGLE's subsequent inspection and was isolated. Additionally, as a precautionary and redundant measure, the biofilter was sealed off with plastic film to minimize the potential for nuisance odor emissions during maintenance. The biofilter operates in two redundant cells, allowing maintenance on one cell to occur while the other treats the odors from both cells.

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Maintenance on the biofilter was concluded in an expeditious manner and the nuisance odor condition identified by Generate staff and self-reported to EGLE was resolved on August 23 and all odor complaints have ceased.

During the September 18 meeting, you concurred that this violation item had been resolved.

4. EUGASFLARE: Failure to operate a permit to install.

Response:

As discussed during the September 18 meeting, Generate understands that the flare may be considered an exempt emission source if the facility can show that the flare does not have SO₂ emissions over 1 lb/hr (Rule 336.1282(2) (g)). Therefore, Generate will be doing a study to determine if the facility qualifies for the permit exemption. If the facility cannot qualify for the exemption or demonstrate compliance with the exemption, the facility will apply for a permit to install.

On September 24, 2019, you agreed to allow the facility additional time to hire a consultant to provide the additional requested information regarding the sulfur dioxide emissions from the facility. The work can be completed and a report provided to EGLE within 6 weeks (by November 5, 2019). You concurred with this due date in a September 24, 2019 email to Dan Meccariello.

5. Desulfurization Equipment: Failure to maintain and operate a control device.

Response:

As stated during the September 18 meeting, the desulfurization equipment is regularly maintained and operational. Because an alarm had been tripped during your recent inspection, the equipment was temporarily down on that day.

We understand that during your August 15, 2019 visit, it was observed that all of the equipment in the desulfurization container was off. At the time of the walk around, site manager Leon Scott did state a reason for the equipment being off. There is a supervisory safety relay, which disconnects power to the entire container to prevent an electrical spark of methane gas that is potentially present. This relay was tripped. It can be tripped by three different biogas related alarms. Once the relay is tripped, power to all controls and pumps is off, and operators are indicated of the alarm by the yellow visual light on the outside panel (as observed by you and Leon during your walk around). It is likely this alarm tripped in the time after the staff morning walk around, and before your inspection.

The unit was in operation prior to inspection, was immediately inspected and restarted by operators, and has remained operational ever since that day. Short interruptions in operation, such as this incident, typically have no lasting effect on the overall biological performance of the system, and biology remains active inside the tank to continue desulfurization.

It is Generate's understanding that operating an air-cleaning device is for the purpose of maintaining compliance with air permit requirements. Hydrogen sulfide, or SO₂ levels are not listed or required to be tested or documented at any interval, so the facility does not do so on a regular basis. Previous Air Quality Division ("AQD") inspections of equipment were confirmed and found acceptable by visual inspection and verbal description of overall performance. Documentation does show 1,300 ppm inlet H₂S, and 100-200 ppm H₂S post desulfurization on November 28, 2018. Additionally, a 1 year inspection and maintenance was documented on March 12, 2019 showing normal operation.

To better document demonstration of desulfurization, operators now document inspection of equipment, and post treatment H₂S levels as part of daily inspections. These observations were added to daily documentation on September 20, 2019.

6. FGENGINES: Failure to maintain and operate FGENGINES in accordance with the required Preventative Maintenance Plan (per PTI No. 378-08A, FGENGINES, SC III.1).

Response:

As stated in the response to number 1 above, Generate has committed to update its PMP plan by October 18, 2019. In addition, Generate has committed to update its Malfunction Abatement Plan by November 1, 2019. You agreed to these deadlines during the September 18 meeting.

Please be advised that despite not having an updated PMP, facility staff do maintain the engines and they are operational. Facility staff have provided various documentation to EGLE evidencing the operational status and maintenance of the engines including monthly operating hours for each unit, 79 pages of physical inspection reports consisting of visual inspections and walkthroughs, and operator notes dating from August 2018 to August 22, 2019 detailing hundreds of daily inspections. Additionally, 100 pages of additional maintenance backup including operator notes and local distributor work orders was supplied.

Further, AQD staff was present during stack testing in March and May of 2019 while facility staff, along with engine manufacturer mechanics, Clarke Energy, performed maintenance and conducted emission stack testing. Regular updates were provided to

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AQD regarding required maintenance and parts delays from the manufacturer. When parts arrived, maintenance and stack testing were completed expeditiously. All stack testing was then completed within permit emission requirements on May 17, 2019.

Biogas is sampled at each digester regularly with feeding and operating perimeters adjusted daily to maintain good quality biogas and a healthy digester. As biogas quality changes, the engines adjust automatically. If biogas quality changes substantially, operators can adjust engine air/fuel controller perimeters. There are nine documented examples of adjustment and/or maintenance to air/fuel control for unit 19001 alone, both by facility staff and Clarke Energy.

In an effort to improve response time, rather than relying on Clarke Energy for assistance, the facility brought in a GE Jenbacher certified trainer from the United Kingdom to train facility operators in July 2018. Four facility operators completed two weeks of intense training from Clarke Energy for OPT (Operator), and TE (Technical Extended), granting all four "Level 15" access, which is the highest training and access allotted for operators not employed by Clarke Energy.

7. FGEngines: Failure to maintain and operate FGEngines in accordance with the required Preventative Maintenance Plan (per PTI No. 378-08A, FGEngines, SC VI.2).

Response:

Please see response to number 6.

On page 3, items 1-4 of the September 4, 2019 violation notice requests additional information regarding the SO₂ emissions from the facility including analysis of the hydrogen sulfide concentrations of the biogas to verify the SO₂ emissions. As agreed in the emails between you and Dan Meccariello on September 23 and 24, Generate has retained Burns & McDonnell to provide the additional requested information regarding the sulfur dioxide emissions from the facility. Generate will provide the additional information by November 5, 2019.

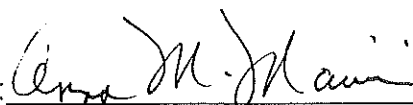
Notwithstanding anything contained herein to the contrary, Generate reserves any rights it has to address and defend itself with respect to these alleged violations.

Again, Generate is committed to maintaining regulatory compliance. If you have any questions, please do not hesitate to contact me.

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Sincerely,

DICKINSON WRIGHT PLLC

By: 
Anna M. Maiuri

Cc: Ms. Sarie Lovell, Generate Capital
Mr. Floriano Ferreira, Generate Capital
Mr. Dan Meccariello, Dynamic Systems Management
Ms. Mary Ann Dolehanty, EGLE
Dr. Eduardo Olaguer, EGLE
Ms. Jenine Camilleri, EGLE
Mr. Christopher Ethridge, EGLE
Ms. Heidi Hollenbach, EGLE

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