

From: Allen, Meredith
Sent: 7/13/2010 10:54:38 AM
To: 'Schwartz, Andrew' (as2@cpuc.ca.gov)
Cc:
Bcc:
Subject: CONFIDENTIAL: BrightSource Pricing

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Andy,

The amended post-TOD prices for BSE PPAs 1 & 2 are \$155.00/MWh and \$158.00/MWh. This represents an increase of \$9/MWh pre-TOD for PPA 1 and \$8/MWh pre-TOD for PPA 2.

The cost of the EPC services, including the solar field, have increased on a \$/KW installed basis. The EPC increases are driven by loss of economies of scale given that the project size for all BSE projects and particularly PPA 2 had to be reduced to address permitting issues. The other drivers are the compression of the construction schedule due to longer permitting requiring BSE to set up more manufacturing lines at one time and concessions that were made to address permitting including use of a less invasive more expensive mounting system and agreeing to not use certain portions of the site for construction laydown.

There are other drivers for the price increase such as the cost of development, which include interconnection, permitting, legal, engineering, project management and environmental mitigation. These costs are double than what they assumed in early 2009. The prolonged CEC and BLM permitting processes have contributed to this increase. Annual O&M has increased, as well the amount of reserves required for lenders. The debt rates and cost of equity capital have also increased. However, these factors are overshadowed by the increased debt to capital ratio that resulted from negotiations with the DOE resulting in a lower overall cost of capital.

There are also some other drivers, which we can provide if you need more information. Overall, we found the increase in price to be reasonable based on the information provided and the comparison to other offers. The IE also found that the amended PPAs merit approval, although he did express some reservations on the cost increases for the solar field and remainder of plant construction.

Thanks,
Meredith