

September 28, 2010

Mr. Martin J. Collins  
Bloom Energy Corporation  
Vice President, Corporate Development  
1277 Orleans Drive  
Sunnyvale, CA 94089

Dear Mr. Collins,

The Program Administrators of the Self-Generation Incentive Program (SGIP), consisting of Southern California Edison Company, Pacific Gas & Electric Company, Southern California Gas Company, and the California Center for Sustainable Energy, are sending this letter to inform you of our serious concern regarding modified forms submitted by Bloom Energy Corporation (Bloom) in numerous SGIP applications earlier this year in all of our service territories.

As you know, Bloom sent the Program Administrators modified “SGIP Directed BioGas Fuel Supplier Attestation” (Attestation) forms for several projects. Bloom submitted a form that significantly modified language in the standard form by: (1) modifying the commitment to provide renewable gas from “will” to “may”; (2) modifying Section c of the form to delete the following RPS eligibility language: *“and meet the currently applicable Renewable Portfolio Standard eligibility requirements for biogas injected into a natural gas pipeline”*; and (3) replacing the Program Administrator’s logo on the Attestation form with another corporation’s logo.

The SGIP Attestation Form is a standard form included in the SGIP Handbook and required from all Level 2 directed biogas incentive applicants. The Handbook provides for no modification of this standardized form by an applicant, and must be submitted with the original text with no changes to comply with the SGIP program rules. The Program Administrators’ view these changes to the Attestations as serious breaches of the SGIP rules, and these actions violate the provisions of the SGIP Handbook.

In our role as Program Administrators, we have jointly reviewed the particular circumstances and effects of these Handbook violations and have determined that it is reasonable to impose some conditions for further participation in the program.

Bloom must strictly follow the conditions provided in this letter in order to avoid sanctions, which may include suspending Bloom from the SGIP Program for a minimum of one year, as permitted by the SGIP Handbook.

The conditions outlined below are designed to reinforce the proper oversight of the Bloom projects where altered Attestation documents were submitted and to ensure no further violations occur for these SGIP projects. Moreover, the conditions are designed

to verify that the directed biogas supplied for each project meets the SGIP directed biogas renewable fuel requirements as outlined in Section 2.6.1.1 of the SGIP Handbook.

The Program Administrators' conditions consist of the following:

- Bloom must submit to quarterly audits of directed biogas fuel supply contract invoices to ensure compliance with Handbook Section 2.6.1.2 that addresses the requirements for directed biogas renewable fuel. These audits will be conducted based on similar requirements for audits in Handbook Section 4.5.8, but will be performed on a quarterly basis instead of a yearly basis.
- The audits will begin three (3) months after the “in-service” or the Interconnection Permission to Operate date of each project. The Program Administrators, at their sole discretion, can combine these quarterly reviews for individual projects together for efficiency purposes.
- The audits will be conducted by Alternative Energy Systems Consulting, Inc. (AESC) and may consist of a Principal Engineer at an estimated cost of \$165 per hour. If AESC is unable to perform the task, the Program Administrators will choose an alternative consulting firm for auditing purposes.
- Bloom will be solely responsible for paying the entire cost for these audits, through a reimbursement method to be determined at a later time by the PA's.
- The projects to be audited will include all Bloom projects in which Bloom submitted altered Fuel Supplier Fuel Attestation documents. A list of the projects will be supplied to Bloom at a later date.
- The auditing consultant may at their discretion combine the audit of projects for each of the Program Administrators on a statewide basis for administrative efficiency.
- The auditing consultant will provide a quarterly spreadsheet report to the Program Administrators that addresses Bloom's compliance with the SGIP Program rules for each of the projects that contained altered Attestation documents.
- The auditing consultant shall submit the audit report with a summary compliance letter and signed verification of its accuracy.
- The audit will continue until the Program Administrators are jointly satisfied that no further quarterly audits are necessary, which will be at least two (2) years but no more than five (5) years from the time each project is placed in-service.
- At each PA's discretion, each PA may notify the host customer when the host customer is the system owner about the contents contained herein and address host customer questions related to this letter.

The Program Administrators appreciate your cooperation in this matter to ensure the ongoing success of the SGIP Program. If you have any questions regarding this letter or this sanction, you may bring your questions to the SGIP Working Group. If you agree to this approach, then we will draft a letter of agreement to memorialize the terms and to include the list of projects to which this sanction applies.

Finally, if Bloom still has some concerns with the current language in the SGIP Attestation form, as provided in the SGIP Handbook, the SGIP Working Group is the forum for addressing such concerns. The Program Administrators welcomes Bloom's participation in that Working Group in the future to address these concerns and looks forward to working with you and other stakeholders to make any necessary revisions.

Sincerely,

Southern California Edison Company  
Pacific Gas & Electric Company  
Southern California Gas Company  
California Center for Sustainable Energy

Cc: Michael R. Peevey, President (CPUC)  
Julie Fitch, Director of Energy Divison (CPUC)  
Neal Reardon (CPUC)  
Molly Sterkel (CPUC)  
Brian K. Cherry (PG&E)