

DOCKETED

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Cross, Catherine@Energy

From: Jim Croyle <jcroyle@scsenergyllc.com>
Sent: Monday, April 06, 2015 2:27 PM
To: Wan, Fong
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Subject: Hydrogen Energy California

Fong,

As you know HECA experienced delay in its permitting process related to issues surrounding the sequestering of its CO2 from production of low-carbon footprint products. This delay resulted in the cessation of DOE development capital funding, which, in turn, caused all otherwise parallel development period activities to be put on hold as well.

I am happy to report, HECA has an alternative approach to sequestering its CO2. While high cost development activities have been curtailed, HECA staff has continued to work not only on CO2 issues but also on restructuring the commercial and related financing aspects of the project to continue moving it in the direction of a more palatable cost profile, while maintaining its important climate change mitigation raison d'être. The net result of these activities, accomplished primarily through the chemical products lines, has made the terms approved by PG&E's Risk Management Committee a year ago obsolete. Higher market prices for some of our products in the transportation sector especially, means the PPA pricing we thought necessary to project financing is at least 40% too high.

We suggest the present Letter of Intent and Non-Binding Term Sheet be terminated and our companies meet again at an appropriate time in the continuing good faith effort we share in bringing this critical technology to commercial demonstration. We are meeting with the CEC later this month and will be suggesting a suspension of the formal permitting process for six months. This should provide sufficient time for completion of our present activities having a bearing on the final project structure.

Delay is rarely welcome, but in this case, the enormous environmental benefits of this energy/industrial decarbonization effort have evolved now to include power, agriculture, and transportation in a synergism we couldn't imagine when HECA was first introduced.

Sincerely,

Jim

James L. Croyle,

