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COUNTY OF INYO

ADMINISTRATOR'S OFFICE
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April 2, 2012

Mike Monasmith, Project Manager
Amanda Stennick, Planner III/Supervisor
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5112

Re: Hidden Hills Solar Energy Generating Systems Project
Request for Power Purchasing Agreement and Project Land Lease with the Roland John Wiley Trust and Mary Wiley Trust and Section 20, LLC

Dear Mr. Monasmith and Ms. Stennick:

Inyo County faces a series of difficult challenges in evaluating the Hidden Hills Solar Electric Generating System (HHSEGS), which the project applicant BrightSource Energy, Inc. is applying for permission to build on 3,227 acres of land owned by Mary Jane McMonigle, Steven Scow, Nick & Areti Tsiamis, the Mary Wiley Trust and Section 20 LLC. The County has been requested to provide Energy Commission Staff conditions the County would place on the applicant but for the exclusive jurisdiction of the Energy Commission. As Energy Commission staff is aware, Title 21 of the Inyo County Code requires a socio economic analysis of the project in order to assure that the County's direct and indirect economic impacts are borne solely by the project applicant and not the citizens of Inyo County. In addition, Title 21 requires that a project applicant restore the project site to pre-project condition and provide financial security to assure that the County and its residents are not required to pay for that restoration should the applicant fail to do so. As such, the County must be able to adequately evaluate the project in order to fully assess the financial, economic and social impacts of the project, the ability to successfully restore the project site following project operations and to participate knowledgeably in negotiations with the applicant on these and other matters. As detailed below, the County cannot adequately respond to inquiries posed by Energy Commission staff without access to the applicant's Power Purchase Agreements for this proposed project and any lease or option held by the applicant with the various landowners.

Estimating the financial performance of the project appears difficult because the technology proposed by the project has yet to be tested in use, and it appears that the project sponsor plans to sell the majority of the project, retaining only about a ten percent share of the energy-generating entity. Concerning the sustainability of the project, given the currently available information, at best we can get some feel for the feasibility and staying power of the project by assuming that the

National Renewable Energy Laboratory's estimates of per kilowatt costs of existing solar facilities, which utilize a different technology, will be close to the proposed project's costs, and then subtract those costs from the revenue base defined in the Power Purchasing Agreement (PPA). However, since we have not seen the PPA, the County is unable to adequately evaluate the likely financial sustainability of the proposed project, its ability to support commitments to mitigate the project's financial impact upon the County, and its ability to finance restoration of the project site following cessation of operations. Such evaluation is necessary to assess the possibility that the future costs of alternative power sources, such as solar photovoltaic and, perhaps, natural gas might someday make the project economically infeasible.

Also, without access to the PPA, we do not know whether the full faith and credit of the power purchaser(s) is available to back up promises by the project sponsor upon which the County will rely, including decommissioning surety guarantees as required by Title 21. We are in hopes that the PPA will allow the project sponsor to pledge revenues from the PPA to guarantee fully the costs of restoration should the sponsor fail to fulfill its promises with regard to such costs. Further, in the absence of access to the PPA, the ability to plan and negotiate in accordance with best business practices is further exacerbated by the present lack of information about the adequacy of the necessary transmission facilities and, if they are inadequate, who will pay for the needed extensions.

As we have explained in previous communications with your Commission, without the project, the development opportunities on and in the vicinity of the project site in the absence of the project's negative spillover are very likely to change in the next decade. As the development opportunities of these areas "ripen" with expansions on the Nevada side of the nearby border, the increasing attractiveness of eco-tourism and other factors, there will be a need to review the proposed project site and the surrounding lands with a view to making the area responsive to contemporary demands and infrastructure financing options. For this reason, and given the requirement for restoration, it is important to understand the terms and provisions of the lease for the project site, not only to assess the project's rights and responsibilities under the lease during operation, but also to access whether the lease will allow the necessary site restoration following decommissioning. To enable the County to have sufficient knowledge to protect the interests of its citizens, treasury and future economy, the County requests you provide the County with an opportunity to review both the PPA and the terms of any and all option agreements or leases between the HHSEGS entity and the various landowners of the project site. If necessary, the County is prepared to assure the confidentiality of the terms of such documents.

Yours truly,

Kevin D. Carunchio
County Administrative Officer

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