

DOCKET

08-AFC-2

DATE June 04 2009

RECD. June 04 2009

June 4, 2009

California Energy Commission
Docket Unit, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

**Re: COMMENTS ON THE PRELIMINARY STAFF ASSESSMENT
BEACON SOLAR ENERGY PROJECT
DOCKET NO. 08-AFC-2**

Enclosed for filing with the California Energy Commission is the original copy of **COMMENTS ON THE PRELIMINARY STAFF ASSESSMENT**, for the Beacon Solar Energy Project (08-AFC-2).

Sincerely,



Marie Mills

June 4, 2009

Mr. Eric K. Solorio
Project Manager
California Energy Commission
1519 Ninth Street
Sacramento, California 95814

**Subject: *Comments on the Preliminary Staff Assessment
Beacon Solar Energy Project
08-AFC-2***

Dear Mr. Solorio,

GalatiBlek, LLP represents eSolar, a developer of an innovative concentrating solar power technology. On behalf of eSolar, we offer the following comments on the Preliminary Staff Analysis (PSA) prepared by the California Energy Commission (CEC) Staff for the Beacon Solar Energy Project (BSEP). The BSEP is being proposed by Beacon Solar LLC, a wholly-owned subsidiary of FPL Energy, LLC (FPLE). eSolar does not have any commercial relationship with FPLE and offers these comments solely because the CEC Staff have referenced public statements made by representatives of eSolar.

On page 6-11 of the PSA, CEC Staff quote statements made by Bill Gross, eSolar CEO relating to internal rates of return. Specifically, the CEC PSA states:

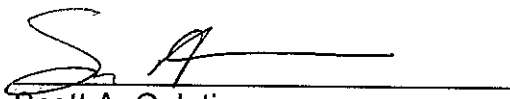
According to Bill Gross, Chief Executive of eSolar, internal rates of return will fall within the range of 11 to 14 percent (GW 2009A).

Mr. Gross stated the internal rates of return were **expected** to be 11 to 14 percent and did not say definitively that the internal rates of return **will be** between 11 to 14 percent as asserted by Staff. The PSA then asserts that a rate of 11 percent should then be applicable to the BSEP ignoring that Mr. Gross referred to a range of expected rates of

return up to 14 percent. It is important to understand that eSolar's statements of 11 to 14 percent are based on internal assumptions and calculations. Predicting internal rates of return are not an exact science and should not be taken as statements of fact.

First, eSolar believes it unreasonable to apply broad statements made by one company concerning its business strategy and how it calculates internal rates of return to other industry participants. Second, it is important to note that the rates of return noted by Mr. Gross were based on wet cooling. Last, the internal rates of return for any project must be balanced by the risk management strategy adopted by each industry participant. These risks are different for every project and are largely related to transmission interconnection, ability to access capital, financing costs, expectations of rates of return by company shareholders, risks of successful permitting, and the specific risks of a power purchase agreement. We believe it is imprudent for the CEC Staff to dictate the reasonable internal rates of return on any applicant and while we support an independent analysis of alternatives, only the developer truly understands the risks of development for any particular project. We strongly urge the CEC to refrain from comparing internal rates of return between companies or technologies. We appreciate the opportunity to provide these comments and look forward to reviewing the Final Staff Assessment.

Sincerely,


Scott A. Galati
Counsel to eSolar



**BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION OF THE STATE OF CALIFORNIA
1516 NINTH STREET, SACRAMENTO, CA 95814
1-800-822-6228 – WWW.ENERGY.CA.GOV**

**APPLICATION FOR CERTIFICATION
For the BEACON SOLAR ENERGY
PROJECT**

Docket No. 08-AFC-2

**PROOF OF SERVICE
(Revised 4/28/09)**

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DECLARATION OF SERVICE

I, Ashley Y Garner, declare that on June 4, 2009, I served and filed copies of the attached **COMMENTS ON THE PRELIMINARY STAFF ASSESSMENT** dated **June 4, 2009**. The original document, filed with the Docket Unit, is accompanied by a copy of the most recent Proof of Service list, located on the web page for this project at: **[www.energy.ca.gov/sitingcases/lodi]**. The document has been sent to both the other parties in this proceeding (as shown on the Proof of Service list) and to the Commission's Docket Unit, in the following manner:

(Check all that Apply)

FOR SERVICE TO ALL OTHER PARTIES:

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by personal delivery or by depositing in the United States mail at with first-class postage thereon fully prepaid and addressed as provided on the Proof of Service list above to those addresses **NOT** marked "email preferred."

AND

FOR FILING WITH THE ENERGY COMMISSION:

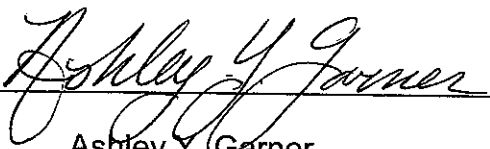
sending an original paper copy and one electronic copy, mailed and emailed respectively, to the address below (**preferred method**);

OR

depositing in the mail an original and 12 paper copies, as follows:

CALIFORNIA ENERGY COMMISSION
Attn: Docket No. **08-AFC-10**
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512
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I declare under penalty of perjury that the foregoing is true and correct.



Ashley Y. Garner