From:	Ford, John
To:	Elizabeth Burks; Duke, Natalie; Sanders, Susan; Werner, Steve
Cc:	Lippre, Suzanne
Subject:	Fwd: Terra-Gen power price with RCEA
Date:	Thursday, November 21, 2019 11:35:23 AM

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From: Matthew Marshall <MMarshall@redwoodenergy.org>

Sent: Thursday, November 21, 2019 11:32:55 AM

To: Ford, John <JFord@co.humboldt.ca.us>; noah@landwaterconsulting.com <noah@landwaterconsulting.com>

Cc: Richard Engel <REngel@redwoodenergy.org>

Subject: Terra-Gen power price with RCEA

Hello John and Noah,

I wanted to address an items related to RCEA that as I understand it has come up in the discussions about the Terra Gen project, the idea of RCEA paying for increased environmental mitigation, which would have to be in the form of an increase to the power purchase agreement (PPA) price we would be paying Terra-Gen.

We conducted a competitive RFP process and have spent many months negotiating the PPA, and that processes is now wrapping up and the PPA is scheduled to go to the RCEA Board for their final consideration on December 19th -- reopening the PPA and adjusting the price at this stage would not be ideal. If the cost increase for additional mitigation are reasonable then it wouldn't be a big deal to adjust the price slightly, but if that is the case it seems like Terra-Gen should cover it at the price we've agreed to -- I'm confident an experienced developer such as Terra-Gen has built contingencies into the price they bid to have some wiggle room for this sort of thing. My understanding is that Terra-Gen believes it can implement adequate environmental mitigations at the price they bid.

Conversely if the cost/price increase would have to be significant, that would mean we are making a significant adjustment to one of the fundamental factors that resulted in Terra-Gen's selection through our RFP process. The project will meet a major part of the county's electricity load, and the current price results in tangible cost savings compared to what RCEA is currently paying for non-local renewable energy--changing the PPA price would impact that cost savings (even an increase of couple dollars equates to an RCEA cost increase of over half a million dollars per year for 15 years, which is not trivial). We are also not going to be the only off-taker buying power from the project, so their pricing for the project overall will need to remain cost-competitive in the larger market regardless of what RCEA may be will to pay. But that said, while "moving the goal" on the PPA now would be problematic,

we would want the project to move forward in the best possible way and if the County determines that (now or in the future) additional mitigations are required that are not economically feasible within the current PPA terms we would want to have a chance to revisit those terms and see what we could potentially make work.

Hopefully this is helpful background on this topic; please just let me know if I can provide any additional information.

Thank you,
Matthew

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