Cox, Kyndall

From: John Packard <japackard@stec.org>
Sent: Friday, January 30, 2015 9:47 AM
To: Cox, Kyndall
Cc: Robinson, Jeffrey
Subject: Impact of 250 hour cap on Red Gate production cost

Kyndall,

I ran the reduced hours through our financial pro forma for the plant. Without divulging to much competitively sensitive information, I think I can quantify the effects of the reduced running hours on our power costs coming out of the plant.

Our estimated capital cost to procure the equipment and construct the facility is approximately $200 million which will be amortized over the 30-year anticipated economic life of the facility. Running only 250 hours per year (max 2.85% capacity factor) our estimated cost of electricity coming out of the facility of would be over $520/MWh or $0.50/kWh not including transmission and distribution costs. This is the direct result of spreading the fixed costs for the facility over so few MWh's. For comparison, prices in the ERCOT market (South Hub) for energy during 2014 averaged $39.82/MWh ($0.03982/kWh). With energy produced by the facility costing over 12.5x the market price of power, the plant would be uneconomical to build and run, not to mention nearly impossible to finance.

Let me know if you need more discussion or backup on this.

Thanks,

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