

Subject: FW: BWD Microgrid Status Update [LCW-LCW_DMS.FID458258]

From: Michael Robinson <michael.robinson@powerflex.com>

Sent: Wednesday, August 25, 2021 2:11 PM

To: Willie Rodriguez <districtmanager@burneywater.org>; Heather L. DeBlanc <hdeblanc@lcwlegal.com>

Subject: BWD Microgrid Status Update

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Willie and Heather

Hope that you are both safe and well.

It has been a while since we have spoken, but I wanted to reach out and give you an update on the changes that we have gone through internally as well as changes in the market.

As you may notice, I now work with PowerFlex, which is another separate but wholly owned entity within the EDF organization. My entire team and all of our projects have been moved over into this new entity. As a result we have different requirements for our projects.

In parallel, as you may know commodity pricing on items like steel have increased by about 60% in the last year.

Meanwhile, the global supply chain disruptions are putting significant upward pressure on solar panels.

Long way of saying that we are seeing significant cost increases that have increased our PPA rate. I have outlined the impacts below, but in summary the cash flow is now negative for the first 15 years, ~\$80,000 of loss, but the project still generates a positive cash flow of \$128,719.

- Upfront Costs: \$0
- Solar PPA: \$140/MWh
- Storage PPA: \$158/MWh
- Year 1 Customer Savings: -\$88,218
- Lifetime Customer EBITDA: \$128,719
- Savings are negative until year 15

On the positive side, there are no upfront costs and over the term the district is savings \$128,719. Meanwhile the system will still provide back up power during a power outage and dramatically reducing the use of the diesel generator. But I apologize for being the bearer of bad news, and totally understand if this makes this project no longer viable.

Do you have time to discuss? As you know we have a \$50,000 deposit into the SGIP Program that we will need to cancel if you decide that it doesn't make sense to move forwards. We would like to make that decision in the next week or so.

I am available during the following times:

- Friday (27th) 12:00 – 5:00
- Tuesday (21st) 11:00 - 2:00
- Wednesday (1st) 8:00 - 10:00

Please let me know how you would like to proceed.



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From: Michael Robinson
Sent: Monday, July 26, 2021 4:06 PM
To: Willie Rodriguez <districtmanager@burneywater.org>
Subject: RE: BWD Microgrid Financing

Willie

Good afternoon. Hope that you had a good weekend.

As you know, we've both been working on this project for quite a while, with our conversations starting over 18 months ago when the SGIP program opened.

Unfortunately, during our regular review with executive management team, the BWD Microgrid project was flagged by the executives for being extremely delayed. The last pricing that was reviewed and approved was in 11.18.20 and the contract negotiations had started in January of this year.

Given that it has been over 6 months since, we are being asked to review and revise our cost structures in order to take into account of the new market conditions. Over the last 6 months there has been a dramatic increase in steel costs as well as a shortage in battery systems, and so unfortunately I anticipate the PPA rate will increase.

Meanwhile, I have been asked to provide a clear assessment on the timeline for executing the contract. In my opinion we are very close on the contract, with a couple of items left to discuss. However, we still need to finalize the question on the diversity of your customer base, as described below. Can you please provide the information outlined below?

From a timeline perspective, if we can get to a clean contract by the end of the week – how long would it take on your side for final approval and signature? Is there a board meeting or agenda that we need to provide information for?

If you can please provide an update on the customer breakdown and the contract signature timeline I would really appreciate it.

I will turn the contract back to you in the next day or two.

Thank you

From: Michael Robinson
Sent: Thursday, July 8, 2021 8:06 AM
To: Willie Rodriguez <districtmanager@burneywater.org>
Subject: BWD Microgrid Financing

Willie

As we move closer to a clean contract, our financing group has circled back asking for a better understanding the water districts customer base. In order for us to provide the In order to provide the ~\$3Mn loan for the project, our financing group is would like to understand the risk of BWD's different revenue streams. We can see from your financial reports (screenshot below) that \$504,504 (63%) of the billing is from the residential market, which is great. The question is about the remaining 37%, is it all from 1 customer or from 15? (The more the better). The purpose of gaining this insight is to understand the risk of if 1 commercial customer leaves the community, will BWD's revenues fall by \$293,896 (37%) over night.

Our financing group has asked if you can please provide an anonymous list of your top 10 commercial accounts? For example, the list can look like this with last year's revenues for the largest 10 customers, including the town.

- Customer 1: \$40,000
- Customer 2: \$30,000
- Customer 3: \$25,000
- Customer 4: \$10,000
- Customer 5: \$5,000
- Customer 6: \$3,000

Another Option would be to provide a % for commercial revenues attributed to the top 10 customers.

I understand that you can not provide information on your customers, I am hoping that the anonymous nature would make it possible. Obviously all of the information exchanged will be marked and treated as confidential.

Please let me know if you have any questions.

Thank you

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