2.0 PROJECT OBJECTIVES

2.1 Project Objectives

The primary objective of the Genesis Solar Energy Project (the Project) is to provide clean, renewable, solar-powered electricity and assist California utilities in meeting their obligations under California's Renewable Portfolio Standard (RPS) Program. A secondary objective is to assist the off-taker in reducing its greenhouse gas emissions as required by the California Global Warming Solutions Act. Solar energy production emits virtually no carbon dioxide, a greenhouse gas.

The specific objectives for the Genesis Solar Energy Project are the following:

- To construct, operate, and maintain an efficient, economic, reliable, safe, and environmentally sound solar powered generating facility throughout its useful life to help: (i) achieve the State of California objectives mandated by SB 1078 (California Renewable Portfolio Standard Program); (ii) AB 32 (California Global Warming Solutions Act of 2006); and (iii) other local mandates adopted by the State's municipal electric utilities to meet the requirements for the long-term wholesale purchase of renewable electric energy for distribution to their customers.
- To develop a site with an excellent solar resource.
- To develop a site with close proximity to transmission infrastructure in order to minimize environmental impacts.
- To develop a new utility-scale solar energy project using proven concentrated solar trough technology.
- To develop a site with available water resources to allow wet cooling in order to optimize power generation efficiency and reduce project cost.

The Genesis Solar Energy Project is a solar power electric generation project that has been developed and designed to conform to the requirements of the 30-year Power Purchase Agreement (PPA) being negotiated between Genesis Solar, LLC and a California utility.

The Project will also address local mandates that California's electric utilities have adopted for the provision of renewable energy. The following State Legislation has been passed relating to renewable energy that are relevant to the project:

- 2002 - Senate Bill 1078 established the RPS Program requiring 20 percent of electricity sold by regulated California utilities to be generated from renewable energy by 2017.
- 2003 - Energy Action Plan I accelerated the 20 percent deadline to 2010.
- 2005 - Energy Action Plan II considered a goal of 33 percent by 2020.
- 2006 - Senate Bill 107 codified the accelerated 20 percent deadline into law.

To achieve these targets, the State's electric utilities initiated several processes to competitively select renewable power projects that would minimize costs for their customers, minimize effects to the existing electricity system, and comply with State and Federal permitting requirements. The utility companies have also received direction and oversight from the California Public Utilities Commission (CPUC) and the California Energy Commission (CEC).

The Project will also assist the California Independent System Operator (CAISO) in meeting its strategic goals for the integration of renewable resources, as listed in its Five-Year Strategic Plan for 2008 to 2012. The Project will help meet the need for additional energy supply, a need based on the steadily growing annual demand of the California energy market. California load growth is expected to average 1000 megawatts (MW) per year over the next five years.

2.1.1 Greenhouse Gas Reduction

Because global climate change poses a serious environmental and economic threat, California's governor and legislature have approved legislation to reduce California's contribution to greenhouse gas emissions. The California Air Resources Board, working with other agencies including the CEC and CPUC, is developing a program that will achieve the 2006 goal. State agencies are currently considering a "cap and trade" system to reduce greenhouse gas emissions from several sectors of the California economy, particularly the electricity sector. Several western states, including California, have formed the Western Climate Initiative, which has the objectives of reducing regional greenhouse gas emissions to 15 percent below 2005 levels by 2020, and enacting a regional cap and trade system. This system is currently focused on the region's electric utilities.

From both a State and a regional perspective, the Project will contribute to reductions in greenhouse gas emissions. Each 125-MW solar unit is expected to generate approximately 290,000 megawatt-hours (MWh) per year and will displace the use of approximately 4 billion cubic feet of natural gas typically used by modern high-efficiency natural gas-fired power plants, and reduce the emissions of carbon dioxide (CO_2) (a greenhouse gas) by approximately 250,000 tons per year, when compared to a high-efficiency natural gas plant. The Project could also assist the off-taker in meeting a portion of its obligations under a State or western regional emissions reduction program.

2.2 Power Purchase Agreement

Genesis Solar, LLC is currently in discussions with various California utilities for an initial 30-year contract under which the off-taker will buy all the energy proposed from the proposed 250 MW project.

To date, the CPUC has addressed its responsibilities in implementing the RPS in R.01-10-024, Order Instituting Rulemaking to Establish Policies and Cost Recovery Mechanisms for Generation Procurement and Renewable Resource Development, and R.06-02-012, Order Instituting Rulemaking That Is Specific to Renewables, which replaced earlier proceeding R.04-04-026.

In response to the RPS procurement process, Genesis Solar, LLC investigated potential sites throughout California that were suitable for the development of a utility scale solar electric generating facility. The location selected for the Project is in an area with good solar direct normal insolation, has sufficient contiguous acreage to build a 250 MW facility, is near transmission, and has level site topography and relative ease of access to the Project Site. Electricity generated from the Project will be delivered to the east approximately 12 miles to the proposed Colorado River substation.