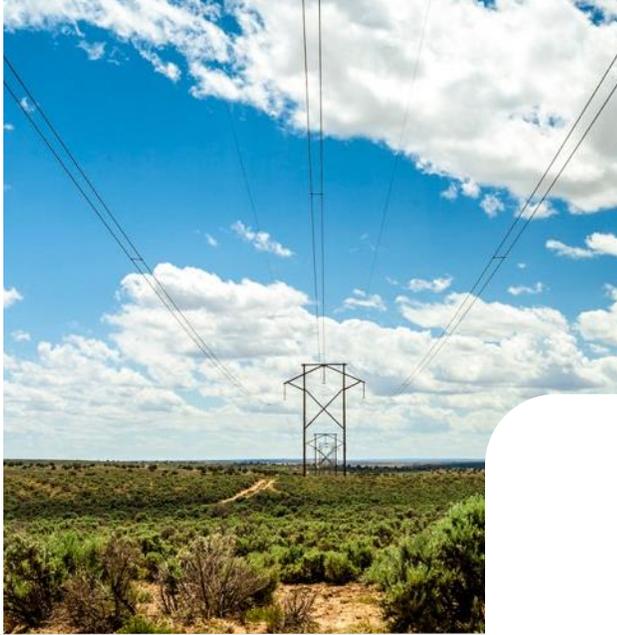


September 2018



**A NEW POWER MODEL
FOR THE FUTURE**



Prepared for **Engage Energy Conference**

What Is The West Wholesale Market?

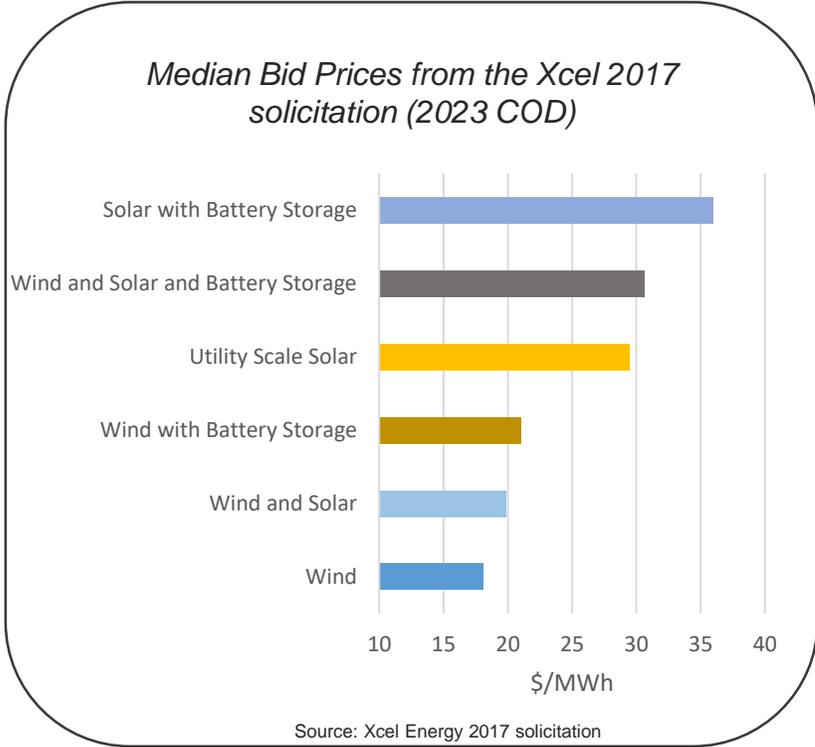
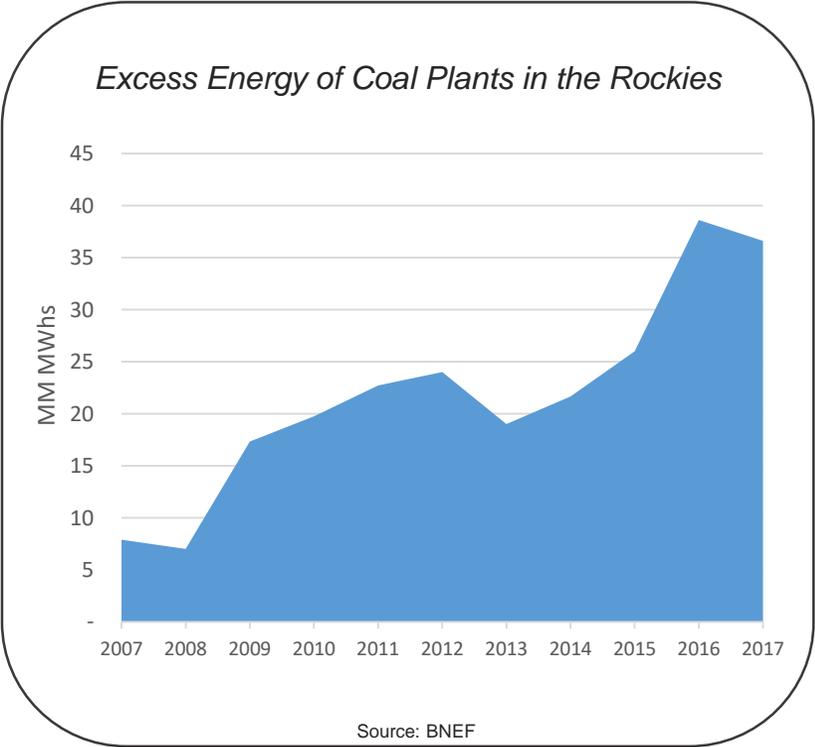
We define as: The price and terms at which you can procure long term physical supply in the Rocky Mountain Region.

Which is made up of:

Excess Supply of *Existing* Resources
(Mostly Coal)

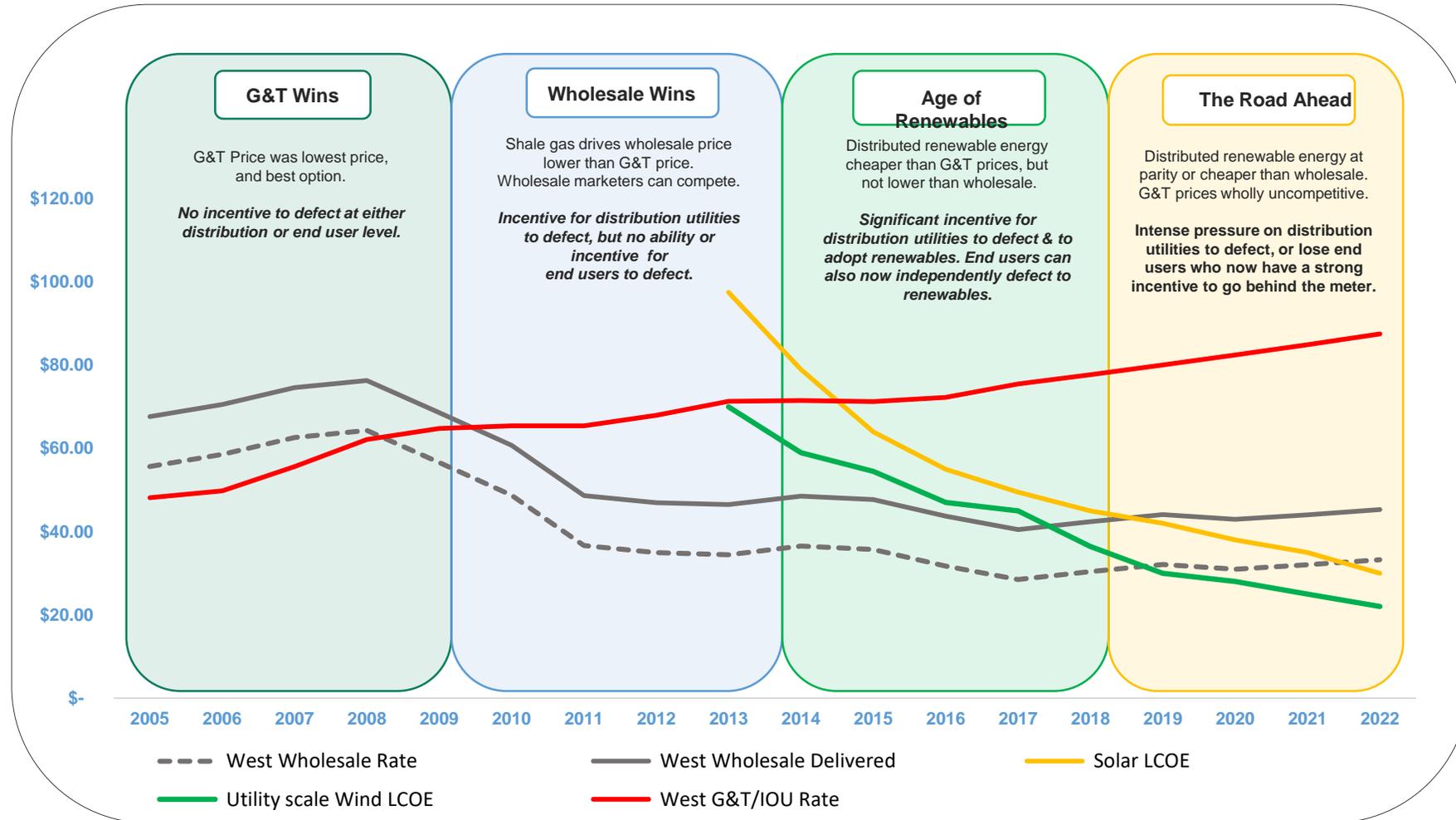
-AND-

Incremental, Long Term Resources
(Mostly Renewables)



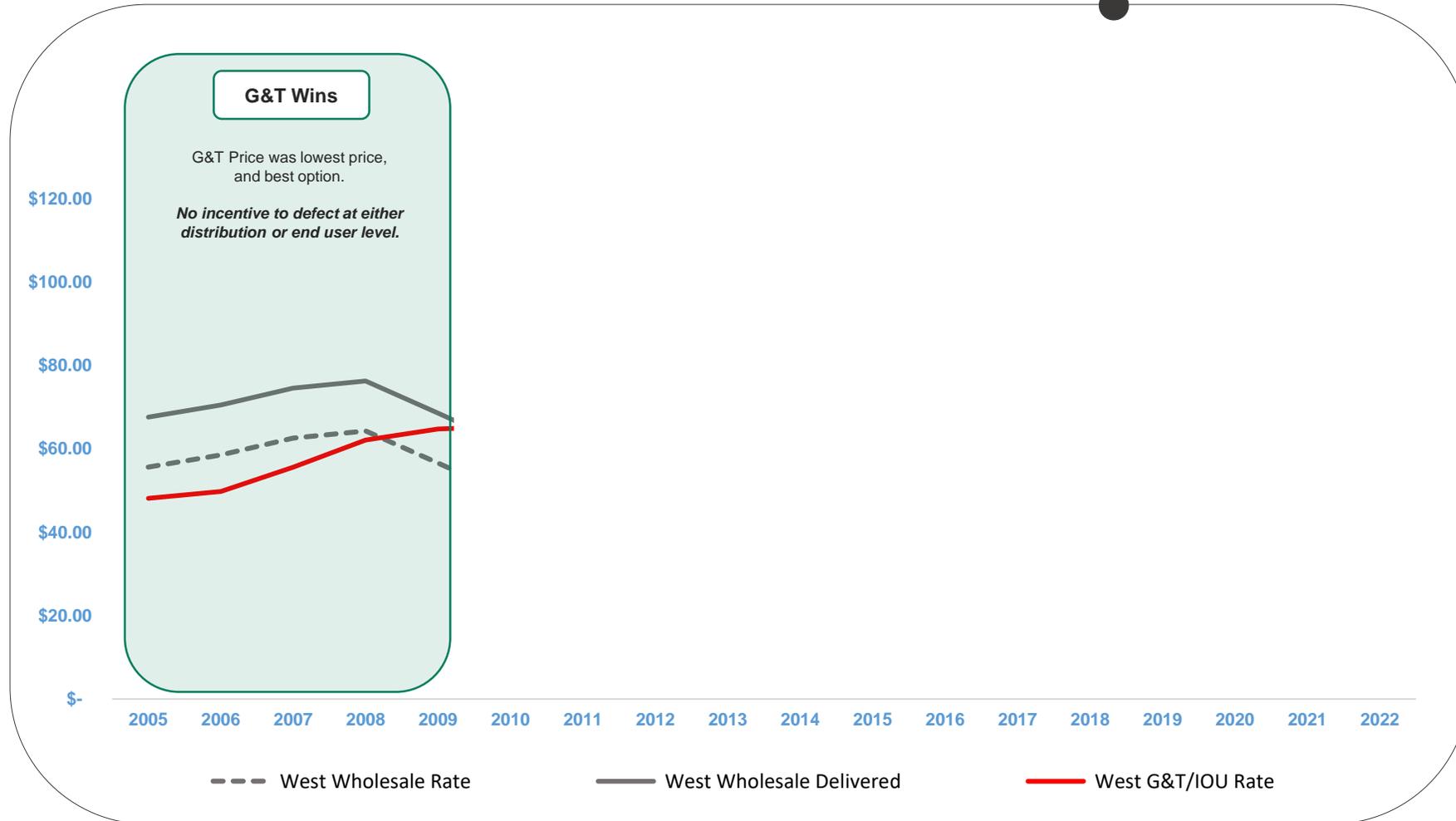
We Believe:

The Economic Incentives for Distribution Level Power Providers, and Large C&I Customers, Has Shifted Dramatically In Recent Years.



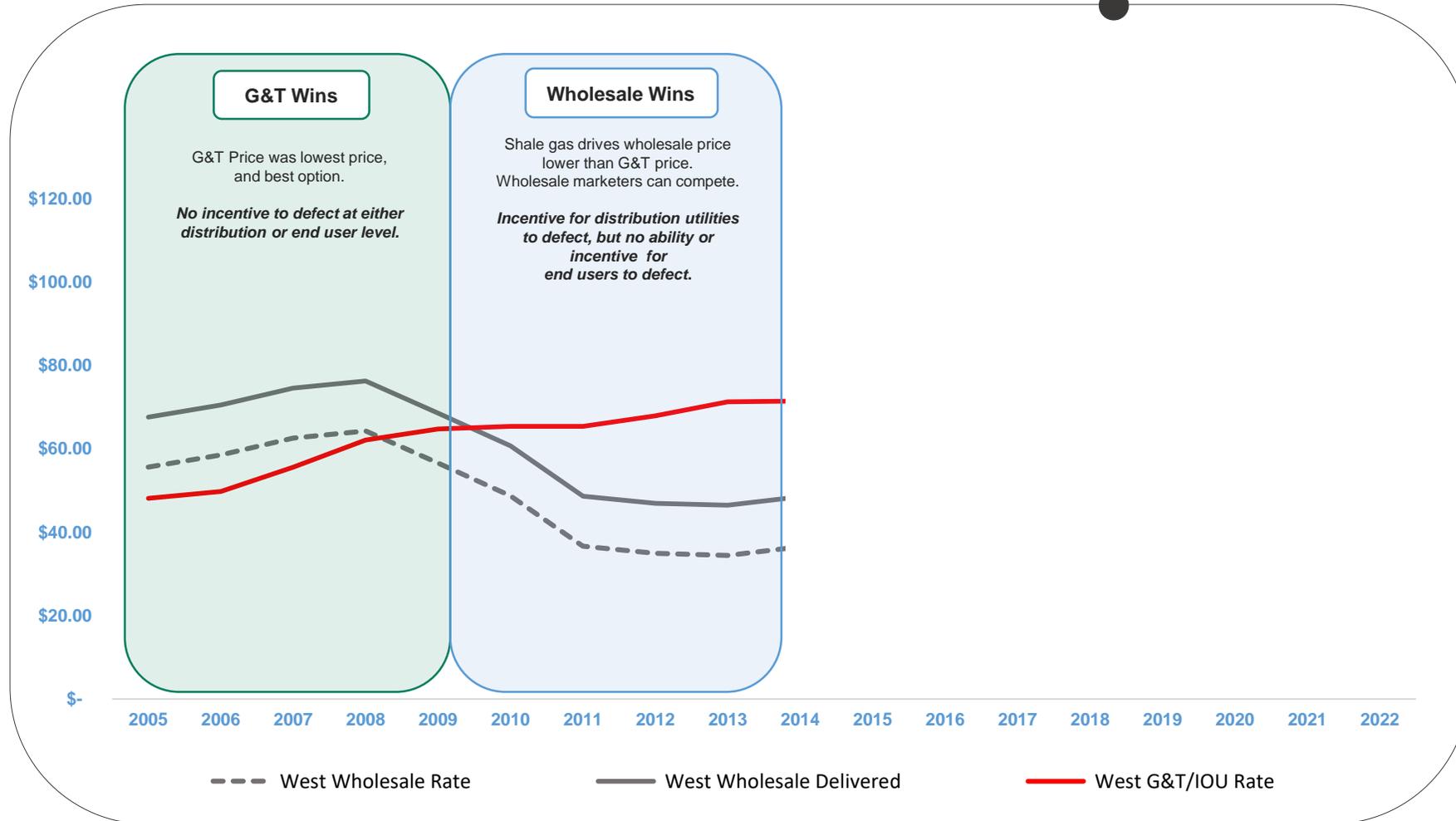
*Sources: West Wholesale rate: Guzman Internal forecast, Wind and Solar LOCE: BNEF combined with Xcel most recent bids, West G&T Rate: various annual reports from different G&Ts and Guzman internal forecast.

Options for Distribution Utilities Over Time •



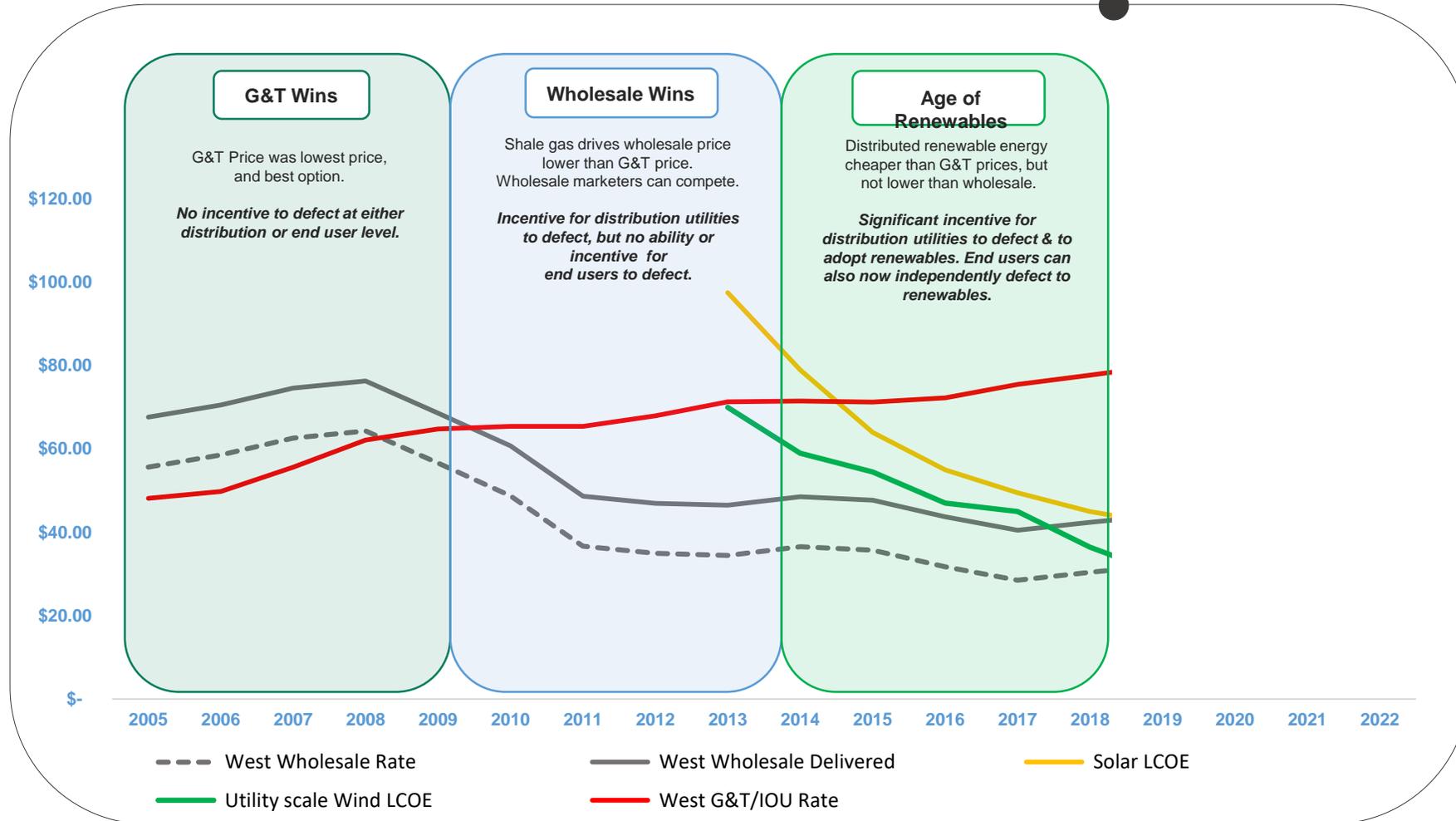
*Sources: West Wholesale rate: Guzman Internal forecast, Wind and Solar LOCE: BNEF combined with Xcel most recent bids, West G&T Rate: various annual reports from different G&Ts and Guzman internal forecast.

Options for Distribution Utilities Over Time



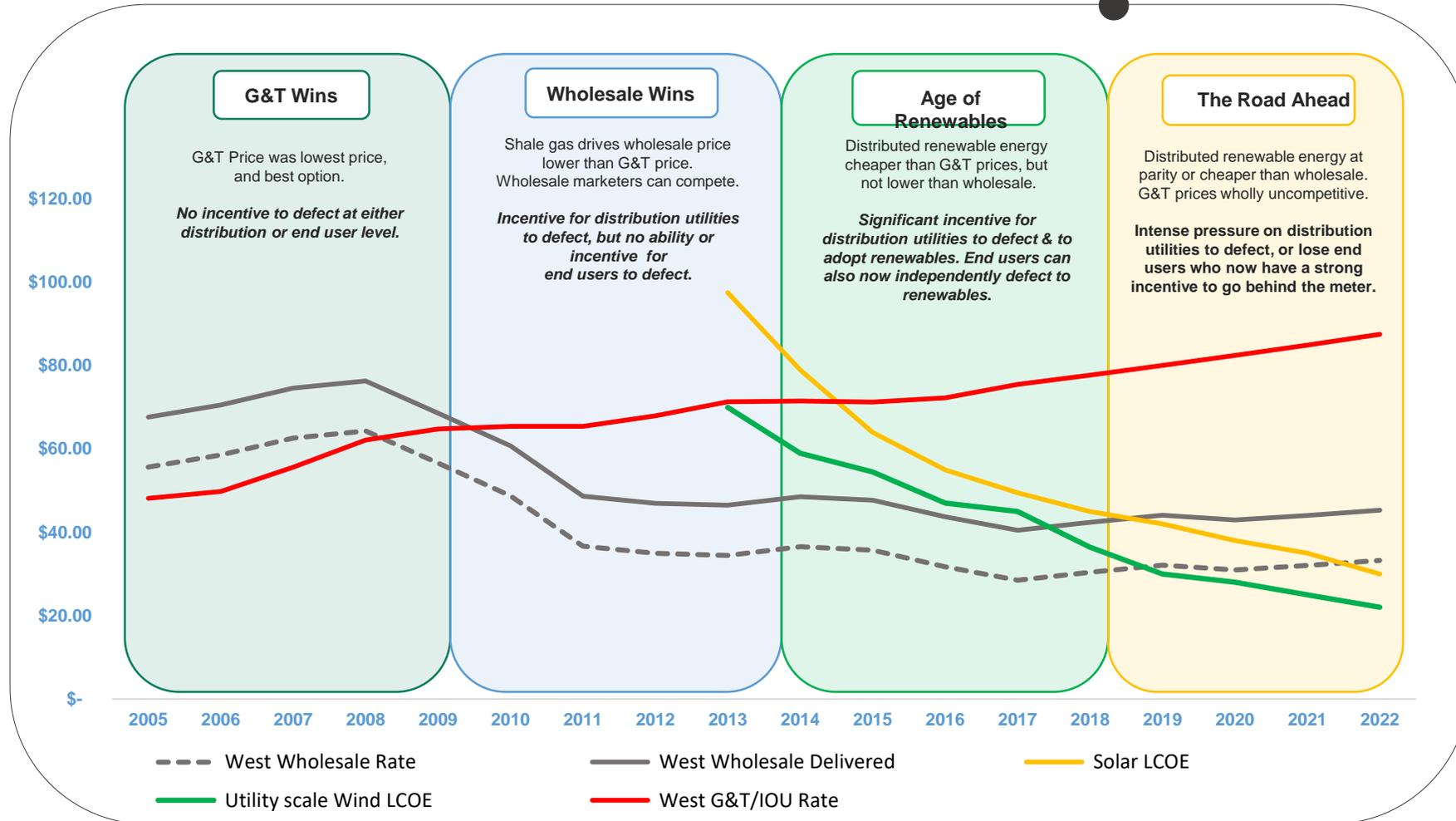
*Sources: West Wholesale rate: Guzman Internal forecast, Wind and Solar LOCE: BNEF combined with Xcel most recent bids, West G&T Rate: various annual reports from different G&Ts and Guzman internal forecast.

Options for Distribution Utilities Over Time



*Sources: West Wholesale rate: Guzman Internal forecast, Wind and Solar LOCE: BNEF combined with Xcel most recent bids, West G&T Rate: various annual reports from different G&Ts and Guzman internal forecast.

Options for Distribution Utilities Over Time



*Sources: West Wholesale rate: Guzman Internal forecast, Wind and Solar LOCE: BNEF combined with Xcel most recent bids, West G&T Rate: various annual reports from different G&Ts and Guzman internal forecast.

Case Study:



Prior to Exit

Kit Carson sought to reduce its energy supply cost and to have greater access to renewable energy.



High electricity prices

Prices increased from \$36 to \$73 per MWh over 14 years (95% increase).



Unpredictable prices

Prices were changed with little notice.



No more renewables allowed

Kit Carson had already reached the 5% capacity of self generation.



Local Businesses defecting

Prices were too high for companies with high energy demand to stay in business.



No control over supply mix

With no more renewables allowed, Kit Carson was limited to its suppliers mix.



No further developed

Kit Carson could not take advantage of the plummeting prices of renewables.

Post-Exit

With their exit, Kit Carson was able to save \$50 - \$70M in wholesale power costs over ten years, even after paying the exit fee, plus many other benefits.

The Terms



Kit Carson agreed to pay to exit the contract. Guzman Energy funded the exit.



Guzman Energy provided a 10 year contract with **fixed prices**.



Guzman Energy set no cap on renewables under the contract.

The Benefits



Expected savings for the term are \$50M to \$70M.



Higher mix of renewable energy for a cleaner environment.



Local Economic benefits from the new renewable development.

Creating A More Competitive Community

Kit Carson: Achieving Summer Solar Energy Independence by 2023

The Numbers

Local EPC – Sol Luna Solar and PPC Solar jointed together from the development of the first phase of KC 30MW



Local Companies – local agencies used for permitting, environmental and geotechnical studies.

Land leases – Est. annual cost per MW is between \$2,500 and \$6,000 for an est. total of \$75k to \$180k of annual income to the private and public land owners.

Local taxes – Est. \$140K per MW for a total of \$4.2M in the next 4 years once the 30MW goal is reached.

Local jobs – Est. 52 jobs per MW developed for a total of 1,560 equivalent jobs for the 30MW goal.

Local O&M – Local providers will be used to maintain the systems for the next 25 years. Est. at 10 \$/Kw a year, for a total of \$360K per year for the 30MW goal.

Alternative Models

The current market conditions open an opportunity to change the old broken energy model of the West.

- You can achieve -

By Implementing These:

These:



Non legacy asset baseload energy from new and efficient power plants.



Cheap, renewable and intermittent energy resources.



Distributed, smart energy resources and network capabilities.



Cleaner and reliable energy.



Cheap and fixed long term energy prices that will benefit the current businesses and bring new ones.



Local investment in development, land leases, jobs and taxes.