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Attorneys for the applicant, Cat Creek Energy, LLC

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES

IN THE MATTER OF APPLICATIONS
FOR PERMIT NOS. 63-34403 AND 63-
34652 IN THE NAME OF CAT CREEK
ENERGY, LLC

**DECLARATION OF
JAMES CARKULIS**

James Carkulis declares as follows:

1. I am a resident of the state of Montana and a consultant for Cat Creek Energy, LLC (“Cat Creek”).
2. I have 20 years of experience in the renewable electricity generating industry. During this time, I have taken 14 renewable projects from greenfield to commercial operation, including largest renewable energy infrastructure project in Idaho, a \$500 million project, in 2010, which was part of a renewable energy portfolio of around 2,000 MW. The development cycle for that project was five years. I have been responsible for project design and development, acquisition of regulatory approvals, selection of major equipment, negotiation of engineering, procurement and construction (“EPC”) agreements, preparation of transmission interconnection agreements, development of project economic analyses, negotiation of power purchase agreements (PPA), and technical support towards placement of project equity and debt, both public and private.
3. Economic viability of a renewable energy project is determined by many factors, including location, resource adequacy, access to markets, federal, state, and utility mandates, access to efficient equipment, and overall cost of construction and operations. These can be further defined by the strength of the construction and vendor agreements (definition of scope; guarantees of cost, schedule, and performance; and compliance with law), confidence in the availability of the resource used to produce the energy (wind, solar, hydro), certainty of product export logistics (transmission agreement), and revenue contracts with utilities or consumers. Ultimately, a project

must rely on favorable contract revenue terms and conditions to service debt and equity requirements and expectations.

4. Projects like the Cat Creek wind, solar, and hydropower project in Elmore County, Idaho (the “Project”) are typically financed through a combination of equity agreements with independent investors into the project company and debt (construction and permanent) placed through a variety of debt instruments including, but not limited to preferred stock or member interest loans, bonds, public and private lending or guarantees usually through commercial banks. Federal finance programs (Environmental Protection Agency, Department of Energy, Export-Import Bank of the United States) also support debt for renewable projects. In addition, projects usually qualify for federal and state tax incentives (production tax credits, investment tax credits, accelerated depreciation allowance, various state tax incentives including a renewable energy tax credit) designed to promote technology advancement in a manner attractive to equity inventors.

5. Cat Creek asked me to assist in moving the Project from the greenfield concept conceived of in 2012 to a commercial operation. I have provided consulting services to Cat Creek in connection with the Project since late July 2014. I have performed wind and hydro performance assessments, assisted in preparation of electric interconnection requests and study reviews, coordinated electrical system design with the electrical contractor, prepared initial EPC agreement and OEM (original equipment manufacturer) term sheets, helped prepare project proformas and estimates of operational parameters given specific market conditions.

6. The market for independent power generation projects is highly competitive. Competition among renewable energy developers such as the Cat Creek Project is particularly acute in the western U.S. where utilities are seeking to add renewable resources to their generation portfolios to replace coal and other carbon resources as well as to meet new load growth. In Idaho just in the past three years, Integrated Resource Plans (IRPs) filed with the Idaho Public Utilities Commission by Idaho Power, Avista, and PacifiCorp evidence the rapidly changing transformation away from carbon-based electrical power generation to renewable-based electricity not only for climate and environmental reasons, but also as least-cost resources for the ratepayer.

7. Cat Creek represents a unique opportunity in this energy transformation by providing Large Volume, Long Duration (“LVLD”) energy storage—a product now gaining exceptional traction with utilities and regulatory agencies. This new realization, of which Cat Creek principal John Faulkner intuitively predicted in 2014, is that short duration energy storage, known to most as Battery Energy Storage Systems, would have its place in the overall new generation mix, but not fulfill the reliability necessary in the move to 100% decarbonization electrical generation. Only LVLD can provide the rationale substitute for conventional fossil fuels in the renewables field to complete the transition.

8. The Cat Creek Project must compete with a large number of other renewable energy projects to secure Power Purchase Agreements (“PPA”), equipment (“OEM”) agreements, transmission interconnection access and transmission services, construction agreements (“EPC”), and the like. These agreements are essential to secure the necessary financing, both debt and equity, for any project. For example, just in the Idaho Power transmission queue, close to 5,000 MW of new projects are looking to become viable by way of such contract awards. Because the field is so

highly competitive, maintaining the highest degree protection of information that may compromise that competitive environment must be paramount.

9. Given the competitiveness of the market, the financial information upon which the Cat Creek Project and other independent power generation projects are developed, and upon which PPAs are negotiated, is highly proprietary and confidential. The disclosure of any financial cost details, methods, opportunities, and means of the Project would provide competitors with economic value and advantage in developing competitive bids, diluting the Project's ability to be creative in negotiations; in the end severely prejudicing and threatening viability of the Project.

10. It would be derelict of developers of independent power generating projects not to go to great lengths to evaluate the project costs and financial strength of competitors and use that information to formulating proposals to win a bidding war for PPAs. Gleaning any information that might be available can be used to enhance a response to a Request for Proposal ("RFP") or assist in negotiations of terms and conditions for equipment and services.

11. Western USA investor owned utilities ("IOU") have been heavily involved in the transformation to clean energy. Many IOUs are going out to the market through solicitations for renewable energy via RFPs creating a bidding environment to find the best projects to contract with. Those RFPs are being responded to by dozens, if not hundreds, of renewable energy project developers competing for PPAs essential for project financing and development, including Cat Creek. If Cat Creek's competitors are given access to financial details of the Project by stealth or by others, they will use it to their benefit, unequivocally disadvantaging Cat Creek's ability to compete for PPAs. Therefore, it is so critical for Cat Creek to prevent others from discovering financial and performance details about the Project.

12. The total installed cost ("TIC") to construct the Project is approximately \$2 billion including the solar, wind, and hydro power and storage components, each a module. The portion of the budget attributable specifically to water rights development cannot be disclosed without putting the Project at risk. However, Cat Creek is willing to provide a redacted summary of its budget, a copy of which is attached hereto as Exhibit A, to illustrate the detailed analysis upon which the total construction cost is based. This budget contains a level of detail that provides an overview of the more detailed accounting that is necessary for securing OEM, PPA, EPC, operation and maintenance ("O&M"), and the many agreements for any renewable project, and especially a project of this size and set of characteristics.

13. As a benchmark, the Cat Creek Project investment in assets, services, development, and preconstruction costs by the owner is over \$10,000,000—a significant amount in a development cycle. More will be allocated to move to the construction Notice to Proceed ("NTP") phase of the Project when debt and equity will be involved to finance construction and operations.

14. Projects have become larger and a higher capital outlay as the move to decarbonization continues. Solar projects that were 10 MW just a few years ago are now 300 MW and larger. A 100 MW wind park is now considered on the smaller side of development. The first billion-dollar project in renewable energy was the Shepard Flat's wind park in Oregon in 2010 was considered a milestone in large renewable project deployment. Currently, other projects are significantly larger, even as renewable equipment has gone down in price per megawatt installed since 2010.

Corporations, equity firms, tax investors, and debt are quickly moving to the decarbonization society and are seeking homes for their capital. The final makeup of debt and equity will be determined by the valuation of the products associated with the Cat Creek Project performance. That performance centers on its full range of revenue generation attributes along with the Project's superior environmental contribution to the West; both in garnering significant new water storage for a growing and thirsty Boise Basin, and by providing clean, renewable, firm electrical generation and LVL energy storage to evolve to a decarbonization societal mandate. It is one of the reasons John Faulkner asked me to assist and, in my opinion, the likelihood of successful project financing for the Cat Creek Project will be achieved.

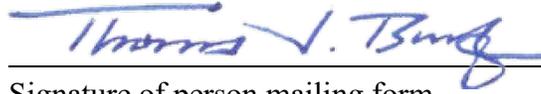
DATED this 15th day of May, 2020.

I declare under penalty of perjury pursuant to the law of the State of Idaho that the foregoing is true and correct.

By: James Carkulis
JAMES CARKULIS

CERTIFICATE OF MAILING

I certify that on this 15th day of May, 2020, the foregoing document was served on the following persons in the manner indicated.



Signature of person mailing form

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Budget Quick Summary

Code	PV Solar Construction Budget	Amount
1	PV Solar Equipment	
2	BOP	
3.1	Transmission & Interconnection - Non-reimbursable	
3.2	Transmission & Interconnection - Reimbursable	
4	Soft Costs - Pre Construction	
5.1	Soft Costs - Construction	
5.2	Non CCE - Soft Costs - Construction	
6		
7	Other Non-Capitalized Items (Working Capital)	
8.1	Transaction Costs	
8.2	Non CCE - Transaction Costs	
9	Contingency	
GRAND TOTAL		
\$/kW		

	DC kW/Unit	53,680	
Units in EPC Quote	Actual Units	kW/Unit	Total Capacity
1	1	40,000	40,000

Budget

Code	Budget Items	Category	Units	\$/ Unit	Total Cost	Tax Depreciation	Book Depreciation
PV Solar							
1			1				
1			1				
1			1				
1			1				
1			1				
1			1				
Subtotal - Single Axis			1				
Balance of Plant							
2			1				
2			1				
2			1				
2			1				
2			1				
2			1				
Subtotal: Balance of Plant			1				
Contingency							
9			1				
9			1				
Subtotal: Contingency			1				
Transmission & Interconnection Off Site							
3.2			1				
Subtotal: Transmission & Interconnect			1				
Soft Costs - Pre Construction							
4			1				
4			1				
4			1				
4			1				
4			1				
4			1				
Preconstruction			1				
Other Non-Capitalized Item							
6			1				
Soft Costs - Construction							
5.1			1				
Soft Costs - Construction							
5.2			1				
Subtotal: Non-CCE Soft Costs			1				
Other Non-Capitalized Item							
7			1				
Transaction Costs							
8.1			1				
Subtotal: Transaction Costs			1				
Non XRG - Transaction Costs							
8.2			1				
Subtotal: Non-CCE Transaction Costs			1				

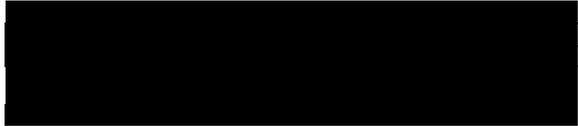
CAT CREEK ENERGY, LLC

PROJECT:

Cat Creek Energy & Water
Storage Renewable Power
Station

TRANSMISSION

Budget Quick Summary		
Code	Electrical Construction Budget	Amount
1		
2	BOP	
3.1	Transmission & Interconnection - Non-reimbursable	
3.2	Transmission & Interconnection - Reimbursable	
3.3	Reimbursable Grid Upgrade Costs	
4	Soft Costs - Pre Construction	
5.1	Soft Costs - Construction	
5.2	CCE - Soft Costs - Construction	
6		
7	Other Non-Capitalized Items (Working Capital)	
8.1	Transaction Costs	
8.2	Non CCE - Transaction Costs	
9	Contingency	
GRAND TOTAL		
\$/kW		



Units in EPC Quote	Actual Units	kW/Unit	Total Capacity
1	1	870,000	870,000

Budget

Code	Budget Items	Category	Units	\$/ Unit	Total Cost	Tax Depreciation	Book Depreciation
Battery Energy Storage System							
1			1				
1			1				
1			1				
1			1				
1			1				
Subtotal -			1				
Balance of Plant							
2			1				
3.1			1				
3.1			1				
3.1			1				
3.1			1				
3.1			1				
2			1				
Subtotal: Balance of Plant			1				
Contingency							
9			1				
9			1				
9			1				
Subtotal: Contingency			1				
Transmission & Interconnection Off Site							
3.1			1				
3.1			1				
3.1			1				
3.2			1				
3.2			1				
3.3			1				
Subtotal: Transmission & Interconnect			1				
Soft Costs - Pre Construction							
4			1				
4			1				
4			1				
4			1				
4			1				
4			1				
CCE > Development expenses			1				
Other Non-Capitalized Item							
6			1				
Soft Costs - Construction							
5.1			1				
Soft Costs - Construction							
5.2			1				
Subtotal: CCE Soft Costs			1				
Other Non-Capitalized Item							
7			1				
Transaction Costs							
8.1			1				
Subtotal: Transaction Costs			1				
Non CCE - Transaction Costs							

8.2

Subtotal: Non-CCE Transaction Costs

1

1

Budget Quick Summary		
Code	Interconnection Construction Budget	Amount
1		
2	BOP	
3.1	Transmission & Interconnection - Non-reimbursable	
3.2	Transmission & Interconnection - Reimbursable	
3.3	Reimbursable Grid Upgrade Costs	
4	Soft Costs - Pre Construction	
5.1	Soft Costs - Construction	
5.2	CCE - Soft Costs - Construction	
6		
7	Other Non-Capitalized Items (Working Capital)	
8.1	Transaction Costs	
8.2	Non CCE - Transaction Costs	
9	Contingency	
GRAND TOTAL		
\$/kW		



Units in EPC Quote	Actual Units	kW/Unit	Total Capacity
1	1	870,000	870,000

Budget	Code	Budget Items	Category	Units	\$ / Unit	Total Cost	Tax Depreciation	Book Depreciation
Battery Energy Storage System								
	1			1				
	1			1				
	1			1				
	1			1				
	1			1				
	Subtotal -			1				
Balance of Plant								
	2			1				
	3.1			1				
	3.1			1				
	3.1			1				
	3.1			1				
	3.1			1				
	2			1				
	Subtotal: Balance of Plant			1				
Contingency								
	9			1				
	9			1				
	9			1				
	Subtotal: Contingency			1				
Transmission & Interconnection Off Site								
	3.1			1				
	3.1			1				
	3.1			1				
	3.2			1				
	3.2			1				
	3.3			1				
	Subtotal: Transmission & Interconnect			1				
Soft Costs - Pre Construction								
	4			1				
	4			1				
	4			1				
	4			1				
	4			1				
	4			1				
	CCE > Development expenses			1				
	6			1				
Soft Costs - Construction								
	5.1			1				
Soft Costs - Construction								
	5.2			1				
	Subtotal: CCE Soft Costs			1				
Other Non-Capitalized Item								
	7			1				
Transaction Costs								
	8.1			1				
	Subtotal: Transaction Costs			1				
Non CCE - Transaction Costs								
	8.2			1				
	Subtotal: Non-CCE Transaction Costs			1				