

October 21, 2014

PN: 14059012

Board of Supervisors
Cochise County
1415 Melody Lane, Building G
Bisbee, Arizona 85603

**Subject: Red Horse Wind Farms – Permit Fee Reduction Request
Special Use Permit SUA-13-04**

Dear County Supervisors,

Over the past months the Red Horse Wind Farm project team has worked with County staff so that we can better understand how the fees are being generated. Below is the fee breakdown that we received from the County:

- Fees are based on a 51 million dollar estimated construction value.
- Cochise County currently adopted Commercial building code fee rate schedule: First 1 million of the estimated 51 million is \$6,196.75 plus \$3.75 for each additional \$1,000.00 or fraction thereof.
- The remaining 50 million dollars is assessed at \$3.75 times 50,000. (\$187,500.00)
- Permit fee is calculated by adding the base (\$6,196.75) and the balance of (\$187,500.00) for a sub total of \$193,696.75.
- Plan review fees are calculated at 40% of the permit fee. 40% of \$193,696.75 is \$77,478.70.
- Total building permit and plan review fees: \$193,696.75 + \$77,478.70 = \$271,175.45

We understand that the County has standards for calculating building permit and plan check fees; however these fees are significantly higher than what we have seen for wind projects in jurisdictions across the country.

Typically, renewable energy projects do not fit into a standard category on jurisdiction's fee rate schedules. As such, most jurisdictions' initial reaction is to apply the commercial building permit fee rates schedule to the renewable energy projects. However, a 50 million dollar commercial office building requires significantly more County plan check and inspections than a 50 million dollar wind farm. This is due to the fact that the most expensive part of a wind farm, the turbines, are pre-manufactured products that do not require plan check or inspections. Due to this, we have found that jurisdictions across the country (including counties from California, Oregon, Indiana, and New Jersey) have adopted policies to "devalue" the cost of a renewable energy project by removing the high cost of manufactured equipment (solar panels from solar farms and wind turbines from wind farms) from the overall valuation when calculating fees since the jurisdictions are not required to expel resources on plan checking or inspecting this manufactured equipment.

We respectfully request that you use a similar devaluation process for the Red Horse Wind project. Below are the actual project construction costs that are contracted for the Red Horse Wind Project (excluding the owner provided turbines):

#	Item	Costs
1	Down Payment	\$1,270,000
2	Mobilization	\$500,000
3	Civil Construction (Grading, Roads, Etc.)	\$2,500,000
4	Turbine Foundations	\$3,000,000
5	Electrical Collection System	\$1,800,000
6	Turbine Installation	\$1,800,000
7	Meteorological Tower	\$200,000
8	General Conditions (Overhead & Profit)	\$1425,689
Total Project Costs (excluding purchase and transport of turbines)		\$12,495,689

Since this value of \$12,495,689 represents the work that was reviewed during plan check as well as the work to be inspected, we believe that this valuation should be used to calculate the project plan check and permit fees. This valuation based on the previously provided formula would equal \$49,305.58 for the permit and \$19,722.23 for the plan check, totaling \$69,027.81. \$25,000 of the fee for plan check has already been paid under a separate county invoice (Invoice #001 dated July 3, 2014) leaving \$44,027.81 as the outstanding balance. We would like to make this fee payment upon submission and issuance of the building permit. The remaining difference between our calculation and the previously provided calculation, the disputed amount, we would like to hold until the appeal has been discussed and a verdict provided, at which time we would pay the difference.

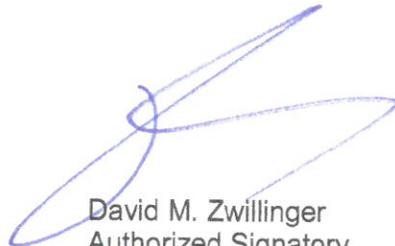
Our goal in having this discussion with you is larger than the economic viability of the project. We hope to share our past experiences on these types of projects to encourage future renewable energy jobs in Cochise County. These types of projects bring a lot of money to the local communities. We expect to employ up to 200 employees during the construction of the project and between 5 and 8 full time employees for the life of the project, of which we will employ many local candidates. We have already conducted a job fair with great success and look forward to bringing further economic benefit to Cochise County and the city of Willcox.

Thank you for your time. Please feel free to give me a call if you have any questions regarding this matter.

Sincerely,



Brian Hoopes
Project Manager
Swinerton Renewable Energy
(916) 205-7220



David M. Zwillinger
Authorized Signatory
c/o D. E. Shaw & Co., L.P.
212-478-0213