

October 20, 2010

James Abbott
Acting State Director
Bureau of Land Management
2800 Cottage Way
Sacramento, CA

Dear Mr. Abbott:

Solar Millennium, LLC, on behalf of Palo Verde Solar I, LLC, (PVSII) informs you that we have reached agreements with Natural Resources Defense Council ("NRDC"), Defenders of Wildlife ("DOW"), and The Wilderness Society as well as with the Sierra Club to resolve their protests to the CDCA land use plan amendments related to the Blythe Solar Power Project (BSPP). PVSII will agree to certain specified conditions on the development of BSPP and the environmental organizations will, among other things, withdraw their protests. The conditions to which PVSII agrees will be incorporated into the POD. Those conditions are attached hereto as Attachment A.

Attachment B will be incorporated into the ROD.

Sincerely,



Alice L. Harron
Senior Director, Development

CC: Holly Roberts
Bureau of Land Management
Palm Springs - South Coast Field Office
1201 Bird Center Drive
Palm Springs, CA 92262-8001

Attachment A

Language to be included in Plan of Development for Blythe Solar Power Project

2.1 Desert Tortoise. In accordance with BIO-12 and BIO-28 of the Final CEC Decision, Palo Verde shall acquire and permanently protect six thousand nine hundred fifty-eight (6,958) acres of desert tortoise habitat as compensation for the Blythe Solar Project's impacts to existing desert tortoise habitat within the project area. Such permanent protection of tortoise lands shall be accomplished on the terms and conditions set forth in BIO-12 and BIO-28, which are fully incorporated herein by reference.

2.2 Desert Bighorn Sheep.

A. Palo Verde shall forego, and hereby waives, the option to create or fund the creation of a new water source for bighorn sheep in the McCoy Mountains or other mountain ranges in the vicinity of the Blythe Solar Project as such option is described in BIO-21 of the Final CEC Decision.

B. Palo Verde shall acquire and permanently protect nine hundred twenty-nine (929) acres of Spring foraging habitat for desert bighorn sheep as compensation for what the CEC determined were the Blythe Solar Project's impacts to bighorn sheep Spring foraging habitat within the project area. Such permanent protection of the bighorn sheep Spring foraging habitat shall be accomplished on the terms and conditions set forth in BIO-21 and BIO-28 of the Final CEC Decision which are fully incorporated herein by reference. In addition to the terms and conditions in BIO-21, Palo Verde shall use reasonable efforts to incorporate the following selection criteria to ensure that compensatory lands contain high quality bighorn sheep habitat:

(1) the acquisition of compensatory lands shall be prioritized to acquire within that portion of the Southern Mojave Metapopulation area that is bounded by Interstate 10 and State Highways 62 and 177;

(2) Compensatory lands shall be prioritized to be contiguous with lands already protected for the conservation of wildlife or identified for landscape-scale conservation.

2.3 Desert Wash Microphyll Woodlands. In accordance with BIO-22 and BIO-28 of the Final CEC Decision, Palo Verde shall acquire and permanently protect six hundred thirty-nine (639) acres of desert wash microphyll woodlands as compensation for the acreage of desert wash microphyll woodlands impacted by the Blythe Solar Project at a ratio of 3:1. Such permanent protection of desert wash microphyll woodlands shall be accomplished on the terms and conditions set forth in BIO-22 of the Final CEC Decision, which are fully incorporated herein by reference. In addition to the terms and conditions in BIO-22 of the Final CEC

Decision, Palo Verde shall take reasonable efforts to incorporate the following criteria in its selection of compensatory desert wash microphyll woodland habitat:

(1) Lands acquired and protected for conservation of desert wash microphyll woodlands shall be located within the NECO planning area. More specifically, first priority acquisitions shall be located within that portion of the NECO planning area bound by Interstate 10, and State Highways 62 and 177;

(2) Lands to be acquired and protected for conservation of desert wash microphyll woodlands shall not be located on land: (a) that already has an application with the Bureau of Land Management for a solar thermal energy facility, unless such land can be withdrawn from solar impactful use; or (b) that (1) is downstream from any lands identified in any applications with the BLM or the CEC for renewable energy facilities that were included in the cumulative analysis for the Final Environmental Impact Statement and (2) could reasonably foreseeably be adversely affected by upstream development of those renewable energy facilities as of the Effective Date.

(3) Compensatory microphyll woodlands shall contain approximately the same species composition as the woodland habitat impacted by the Blythe Solar Project;

(4) Absolute percent cover in the compensatory microphyll woodlands shall be equal to or greater than the absolute percent cover of woodland habitat impact by the Blythe Solar Project;

(5) Any measurement of the acreage of microphyll woodland habitat shall be determined based on the actual acreage from edge to edge of the arboreal cover;

(6) In accordance with the Holland (1986) definition of a Desert Dry Wash Woodland community, the overall height of woodland trees present in the compensatory woodlands shall be generally comparable to the overall height of the woodlands impacted by the Blythe Solar Project; and

(7) Compensatory microphyll woodlands shall be prioritized to be adjacent or contiguous with areas already protected for wildlife conservation or areas identified for landscape-level conservation..

2.4. _____ Compensatory _____ acquisition and permanent protection of (_____ 2.1, _____ shall be accomplished through (a) fee or other acquisition (including conservation easements) by Palo Verde or an entity on behalf of Palo Verde of target lands (“Ownership Interests”) and (b) transfer of such Ownership Interests to the United States, the State of California, or an appropriate governmental or non-governmental organization for the permanent management and conservation of wildlife and natural resources. Conservation easements will satisfy Palo Verde’s obligations to acquire

and permanently protect compensatory lands provided that the easements: (i) are recorded in the appropriate office for recording real property documents in the county where the easement lands are located, (ii) run with the land in perpetuity, (iii) expressly authorize third party monitoring and enforcement of the terms of the easement, (iv) expressly authorize specific performance as an available remedy for violation of the easement terms, and (v) specify financial penalties to be incurred by the violator resulting from violations of the easement terms, which penalties must be used to mitigate the impacts of the Blythe Solar Project.

2.5. Conservation Covenants. Palo Verde shall require and ensure that each parcel of the compensatory lands acquired pursuant to this Agreement is encumbered by valid and enforceable restrictive covenants as approved by the resource agencies (defined to mean the California Department of Fish and Game and/or the U.S. Fish and Wildlife Service) that require that the lands shall be managed and maintained in their natural state for the conservation of wildlife and natural resources in perpetuity, free from development, agriculture, off-highway vehicle use or other uses not compatible with the mitigation goals. Palo Verde shall provide funding for property enhancement and for conservation management in perpetuity regardless of whether the land is transferred to the United States or the State of California or any other organization to manage the conservation lands unless such transferee expressly provides such funding. Palo Verde shall bear the cost, if any, of preparing, executing and recording the conservation covenants contemplated in this section.

2.6. Conservation Enhancements. Palo Verde shall send the sum of One Million and 00/100 Dollars (\$1,000,000) dollars to the National Fish and Wildlife Foundation for deposit in the Renewable Energy Action Team Mitigation Account, which was established pursuant to the Memorandum of Agreement between the Renewable Energy Action Team Agencies and the National Fish and Wildlife Foundation, dated April 19, 2010, to be used exclusively by the BLM for the implementation of the following conservation enhancements in the NECO Plan area and, to the extent appropriate, in the vicinity of Blythe Solar Project: (i) the installation of fencing for desert tortoise, (ii) the installation of wildlife underpasses under lawfully existing public or private roads, and/or (iii) the restoration of unlawful off-road vehicle routes. Palo Verde shall include with the One Million (\$1,000,000) dollars a deposit document describing in detail the activities, as set forth in this section to be funded. The Sierra Club shall be given an opportunity to review the deposit document prior to Palo Verde sending the funds and deposit document to the National Fish and Wildlife Foundation. Palo Verde shall provide the document for review no less than 7 days prior to sending the document and shall consider any changes recommended by the Sierra Club. Payment of \$500,000 shall be upon Financial Close for Units 1 and 2 of the Project. The remaining payment of \$500,000 shall be prior to ground disturbance for Unit 3 of the Project.

2.7. Plan of Development; Record of Decision. Palo Verde agrees that it shall incorporate the conditions set forth in Section 2 into a revised plan of development for the

Blythe Solar Project, which will be submitted to the BLM for inclusion into its Record of Decision regarding the Blythe Solar Project and attached to its Record of Decision as an exhibit. The Parties agree and acknowledge that BLM shall incorporate the conditions set forth in **Section 2** in its Record of Decision regarding the Proposed Amendment and the Blythe Solar Project and that the BLM shall include the revised Plan of Development as an exhibit to the Record of Decision on the Blythe Solar Project.

2.8. Water. Palo Verde agrees that it will not assert any claim to or interest in any water right, provided, however, that Palo Verde may use groundwater at the Blythe Solar Project site consistent with the terms and conditions of Palo Verde's ROW grant.

2.9 In Lieu Fee Program. Nothing in this Agreement shall prohibit the use of the mitigation option identified in BIO-27 of the Final CEC Decision to satisfy some or all of Palo Verde's habitat compensation obligations. Provided, however, that Palo Verde shall enter into an agreement with the California Department of Fish and Game which conditions the expenditure of funds for this mitigation option in accordance with all of the terms and conditions of Section 2 of this Agreement, pursuant to the terms set forth in the letter of October 19, 2010 from the Department of Fish and Game to Solar Millennium regarding this subject, which is attached hereto as Exhibit B.

These conditions are subject to limitations agreed upon by the parties.

Attachment B

Form of Language to be included in the BLM Record of Decision for Blythe Solar Power Project

The FEIS was available for a 30-day public review and protest period. The 30-day public comment and protest period closed on _____. The comments that were submitted on the FEIS and the Bureau's responses thereto are included in Appendix _____. The protests have been resolved by the Director or, as noted below, have been withdrawn by the protesting party. At the request of various interested organizations, the BLM met, in accordance with its policy (BLM Land Use Planning Handbook, Appendix E, p.6 (2005)) in an effort to resolve the protest issues raised by these groups.

As a result of these meetings, the organizations and the project applicant agreed to certain project conditions which were reduced to writing and presented to the BLM for inclusion in the BLM Preferred Alternative (Appendix _____). These conditions require (i) the acquisition and permanent protection of habitat for desert tortoise and desert bighorn sheep as compensation for habitat impacted by the project; (ii) the acquisition and permanent protection of desert wash microphyll woodlands as compensation for woodlands impacted by the project; (iii) permanent conservation covenants on acquired lands; and (iv) the creation of a \$1,000,000 fund for the implementation of specified conservation enhancements. Conditions (i), (ii) and (iii) may be satisfied by acquiring lands through fee title, permanent conservation easements and/or in-lieu fee option. These conditions are subject to limitations agreed upon by the parties.

According to the agreement between and among the project applicant and the organizations, these and other agreed-upon terms have been incorporated into a modified Plan of Development for the project. The BLM has analyzed these terms and has determined that they do not require BLM to supplement the FEIS prior to issuance of the ROD (Appendix [D1] _____).

The BLM has determined that the terms fall within the alternatives analyzed in FEIS, has accepted these agreed upon terms as part of the amended plan of development, and has incorporated into and will administer these terms as part of the right-of-way grant in accordance with 43 CFR 2805.12(i)(5), 2807.16, and 2807.17. The agreed upon conditions are not subject to amendment without the agreement of the applicant and the organizations and only if approved by the BLM in accordance with 43 CFR 2807.20. The organizations have withdrawn their protests.

**Natural Resources Defense Council
The Wilderness Society**

October 20, 2010

James Abbott, Acting State Director
Bureau of Land Management
2800 Cottage Way
Sacramento, CA

Via email

Dear Director Abbott:

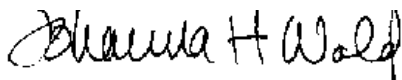
The Wilderness Society and Natural Resources Defense Council have today signed an agreement with Palo Verde Solar, LLC with regard to their proposed Blythe Solar Project. As you know, the company has filed a right of way application with the Bureau of Land Management (BLM) for this project which would be located on approximately 7,025 acres of BLM-managed public land in the California Desert Conservation Area some eight miles west of Blythe, CA. The project would generate 1000 MW of electricity using parabolic trough technology.

In this agreement, the company consents to develop the Blythe Solar Project pursuant to certain specified conditions, to include those conditions in its Plan of Development (POD) for the project, and to submit the revised POD to the BLM for approval. The agreement also provides that BLM will incorporate the conditions in its Record of Decision (ROD) and shall include the revised POD as an exhibit in the ROD.

By signing this document in the space below, you agree on behalf of the BLM to enforce the terms of the revised POD, including the specified development conditions referred to above, through your ROD and the Right of Way grant for the project.

Accordingly, we withdraw our groups' protest of the Blythe Solar Project which was filed on September 8, 2010.

Sincerely,



Johanna H. Wald
Senior Attorney
Natural Resources Defense Council



Alice Bond
California Public Lands Policy Analyst
The Wilderness Society

Jim Abbott, Acting State Director, BLM

Date