Proposed Fiscal Terms

Massachusetts Auction Seminar

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BOEM | Economics Division

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Fiscal Terms Overview

- Annual Rent
- Annual Project Easement Rent
- Annual Operating Fee
- Financial Assurance Requirements

Annual Rent Payment

Payment Formula = Leased Acreage **x** $3/acre

Wind Energy Area	OCS-A 0502	OCS-A 0503
Size (acres)	248,015	140,554
Rental Payment	$744,045	$421,662

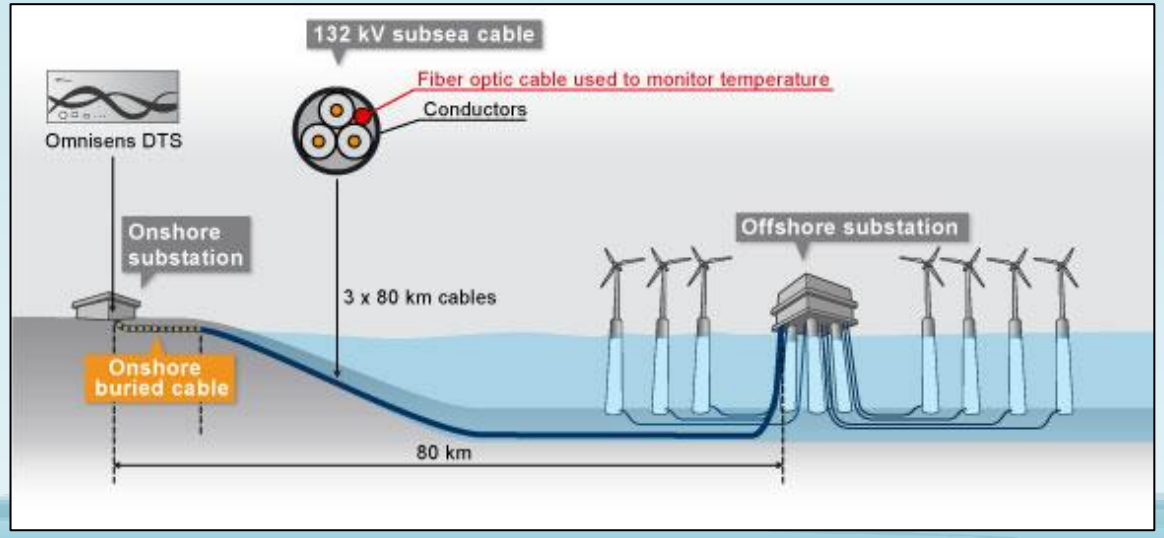
Annual Rent Payment

- **First year's payment** due within 45 days of Lessee receiving lease
- **Subsequent payments** due on lease anniversary on portion of lease not authorized for commercial operations
- Subsequent rent payments reflect adjustments for relinquished acreage or phased development at the time a payment is due

Annual Project Easement Rent

Payment Formula:

$70/statute mile **x** # of statute miles
in 200-foot wide transmission easement



Annual Project Easement Rent

- **Initial payment** due upon approval of the COP
- **Subsequent payments** due annually thereafter until lease terminates
- For additional easements required, payments are ***the greater of*** $5/acre or $450 per year

Annual Operating Fee

The annual operating fee **formula** is based on:

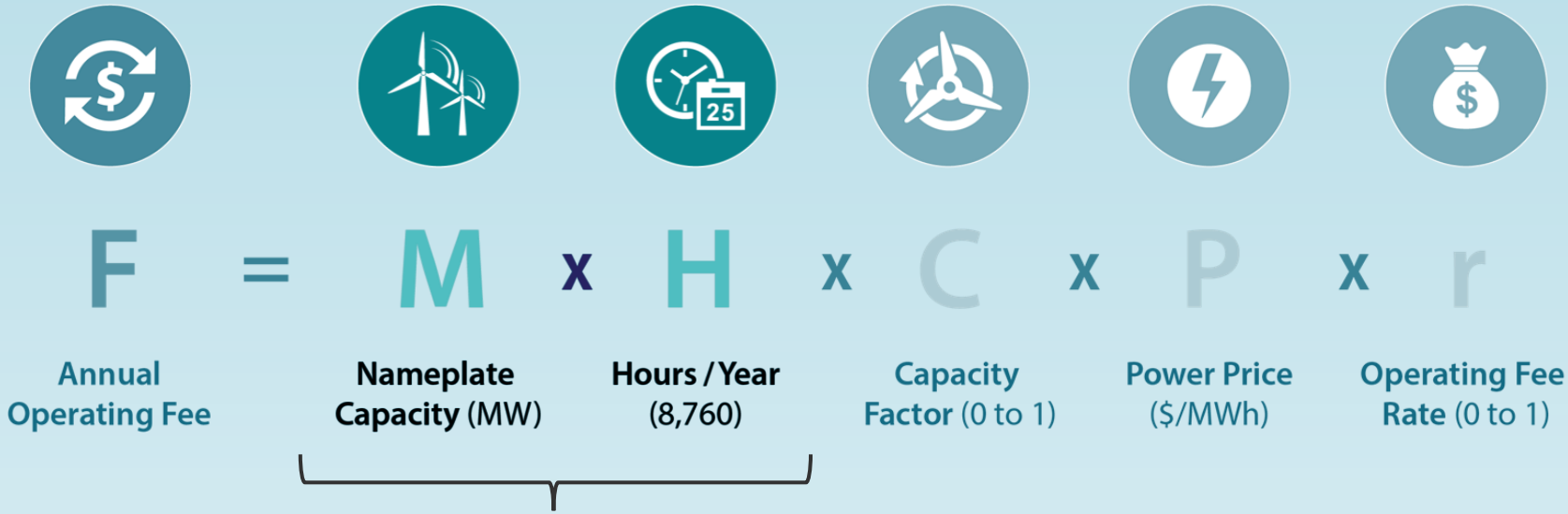
Anticipated annual power output valued at the preceding year's regional wholesale power price, multiplied by an operating fee rate

Annual Operating Fee

$$F = M \times H \times C \times P \times r$$

F	M	H	C	P	r
Annual Operating Fee	**Nameplate Capacity** (MW)	**Hours / Year** (8,760)	**Capacity Factor** (0 to 1)	**Power Price** ($/MWh)	**Operating Fee Rate** (0 to 1)

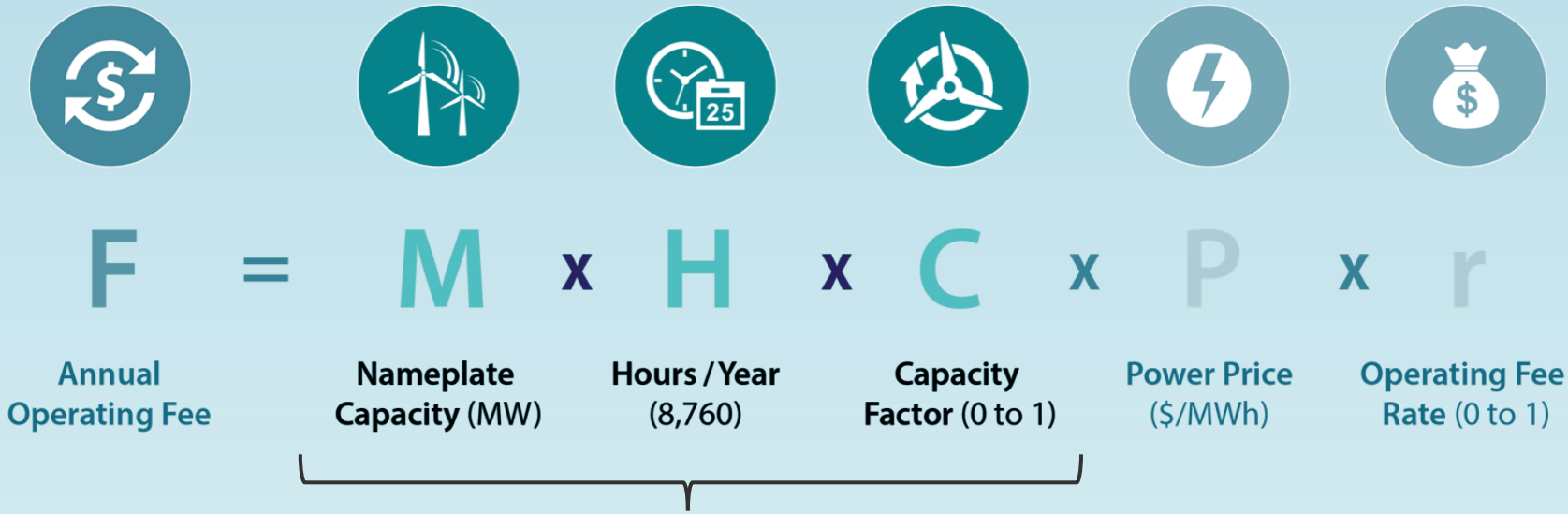
Annual Operating Fee



Nameplate Capacity: planned available capacity in megawatts (MW)

- Based on COP to reflect installation, repowering, and decommissioning activities on the lease

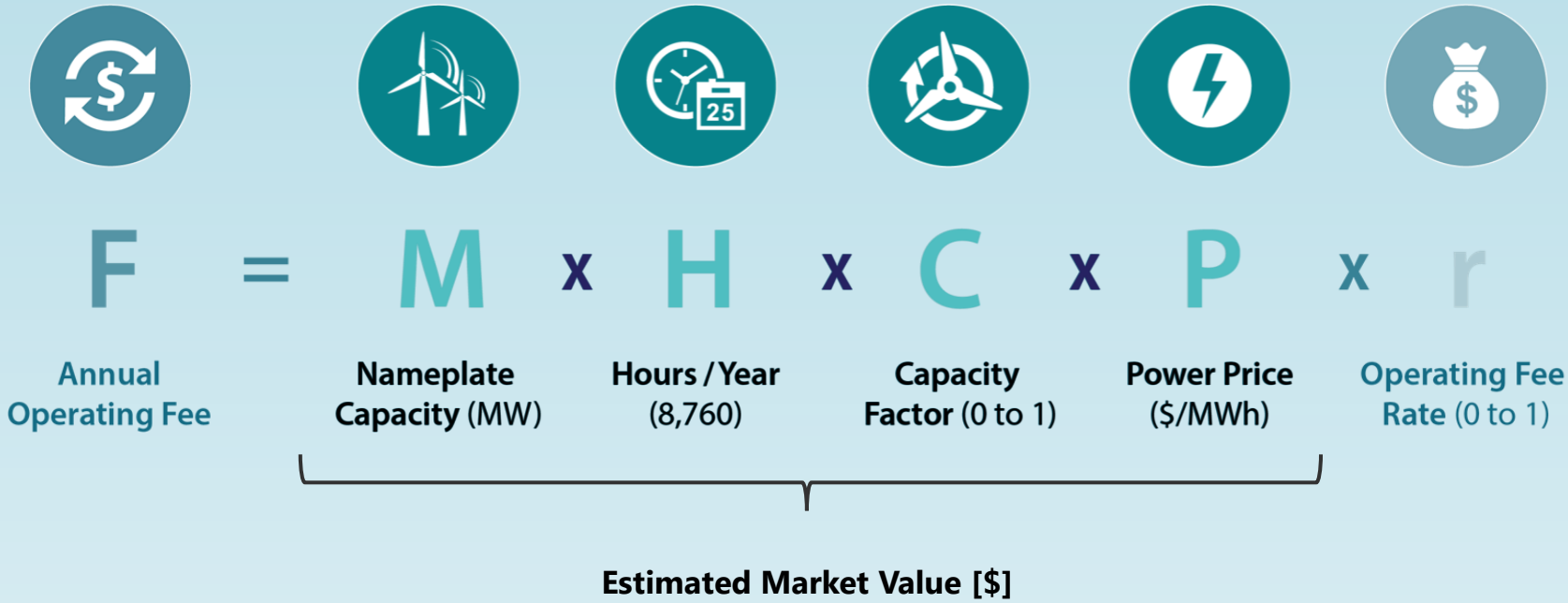
Annual Operating Fee



Capacity Factor: the share of anticipated generation relative to its generation at continuous full power operation

- Value is set to 0.4 for first six years of commercial operations
- Value is adjusted in five-year intervals thereafter to reflect actual metered generation over the preceding five years

Annual Operating Fee



Power Price: determined at the time each payment is due based on latest available regional wholesale spot price *($/MWh)*, adjusted for inflation

- The proposed power price is the Northeast-Massachusetts Hub

Annual Operating Fee

$$F = M \times H \times C \times P \times r$$

F	M	H	C	P	r
Annual Operating Fee	**Nameplate Capacity** (MW)	**Hours / Year** (8,760)	**Capacity Factor** (0 to 1)	**Power Price** ($/MWh)	**Operating Fee Rate** (0 to 1)

Operating Fee Rate: the share of the estimated market value of the power produced payable to the Lessor

- Operating fee rate is 0.02 through the life of commercial operations on the lease

Annual Operating Fee Example:

500 MW project

$$F = M \times H \times C \times P \times r$$

F	M	H	C	P	r
Annual Operating Fee	**Nameplate Capacity** (MW)	**Hours / Year** (8,760)	**Capacity Factor** (0 to 1)	**Power Price** ($/MWh)	**Operating Fee Rate** (0 to 1)

$$F = 500 \times 8{,}760 \times 0.4 \times 40.00 \times 0.02$$

$$F = \$\ 1{,}401{,}600$$

Annual Operating Fee

- **Initial fee** due within **45 days** of commercial operations
- Subsequent payments due annually **on or before each lease anniversary**

Financial Assurance Requirements

- Prior to lease issuance, provisional winner must provide **assurance** for initial financial obligations on the lease

$100,000 initial **financial assurance** due prior to lease issuance in the form of a bond or other approved form

Financial Assurance Requirements

Additional assurance required to cover decommissioning, operating fees, and other obligations as lease progresses

- Prior to approval of a SAP
- Prior to approval of a COP
- Commencement of installation of commercial facilities
- Past due payment amounts or any other monetary obligations
- Adjustments to financial assurance amounts

Your Feedback and Comments

- Proposed Northeast-Massachusetts Hub power price

Questions and Comments

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