Fiscal Terms

North Carolina (Kitty Hawk) Auction Seminar

September 20, 2016

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

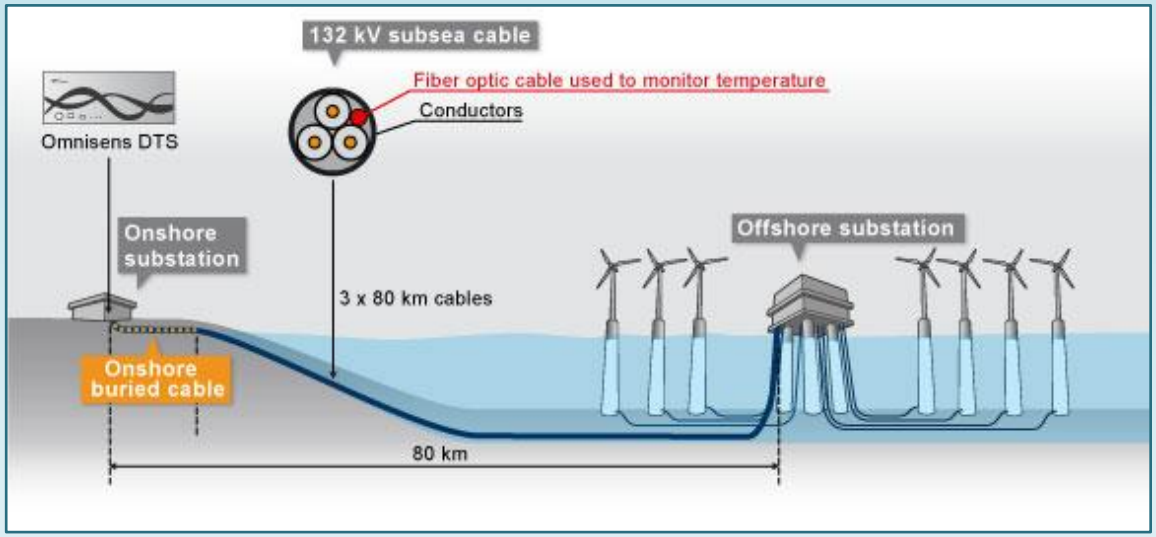
Wind Energy Area	Kitty Hawk
Size (acres)	122,405
Rental Payment	$ 367,215

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 would 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

$$F = M * H * C * P * r$$

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

Annual Operating Fee

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

Generation at continuous full power operation (MWh)

- Nameplate capacity is the planned available capacity measured in megawatts (MW)
  - Based on COP to reflect installation, repowering, and decommissioning activities on the lease

Annual Operating Fee

$$F = M * H * C * P * r$$

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

Anticipated Annual Power Output (MWh)

- The capacity factor is the share of anticipated generation relative to its generation at continuous full power operation
  - Value is set to 0.4 for the first 6 years of commercial operations
  - Value is adjusted in 5-year intervals thereafter to reflect actual metered generation over the preceding five years

Annual Operating Fee

$$F = M * H * C * P * r$$

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

Estimated Market Value [$]

- Power price is determined at the time each payment is due based on the latest available regional wholesale spot price ($/MWh) as reported by FERC, adjusted for inflation
- The proposed power price is PJM Dominion

Annual Operating Fee

$$F = M * H * C * P * r$$

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

- Operating fee rate is the share of the estimated market value of the power produced payable to the Lessor
  - The operating fee rate is 0.02 through the life of the commercial operations on the lease

Annual Operating Fee Example:
500 MW project

$$F = M * H * C * P * r$$

F	M	H	C	P	r
Annual Operating Fee	Nameplate Capacity	Hours per Year	Capacity Factor	Power Price [$/MWh]	Operating Fee Rate

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

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

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, the 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

Questions and Comments

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Your Feedback and Comments

- Proposed PJM Dominion power price