Fiscal Terms

New York Auction Seminar

June 29, 2016
Fiscal Terms Overview

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

**Payment Formula**: $\text{Leased Acreage} \times \$3/\text{acre}$

<table>
<thead>
<tr>
<th>Wind Energy Area</th>
<th>New York</th>
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<tbody>
<tr>
<td><strong>Size (acres)</strong></td>
<td>81,130</td>
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<tr>
<td><strong>Rental Payment</strong></td>
<td>$243,390</td>
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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 \times \# \text{ 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

\[ F = M \times H \times C \times P \times r \]

- **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

\[ F = M \times H \times C \times P \times r \]

- **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

The annual operating fee is calculated using the following formula:

\[ F = M \times H \times C \times P \times r \]

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

\[ F = M \times H \times C \times P \times r \]

- **F** = Annual Operating Fee
- **M** = Nameplate Capacity [MW]
- **H** = Hours per Year [8,760]
- **C** = Capacity Factor [0 to 1]
- **P** = Power Price [$/MWh]
- **r** = 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 NYC Zone J (NYISO).
### Annual Operating Fee

\[ F = M \times H \times C \times P \times r \]

- **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 \times H \times C \times P \times r
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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

Contact:
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Your Feedback and Comments

• Proposed NYC Zone J (NYISO) power price