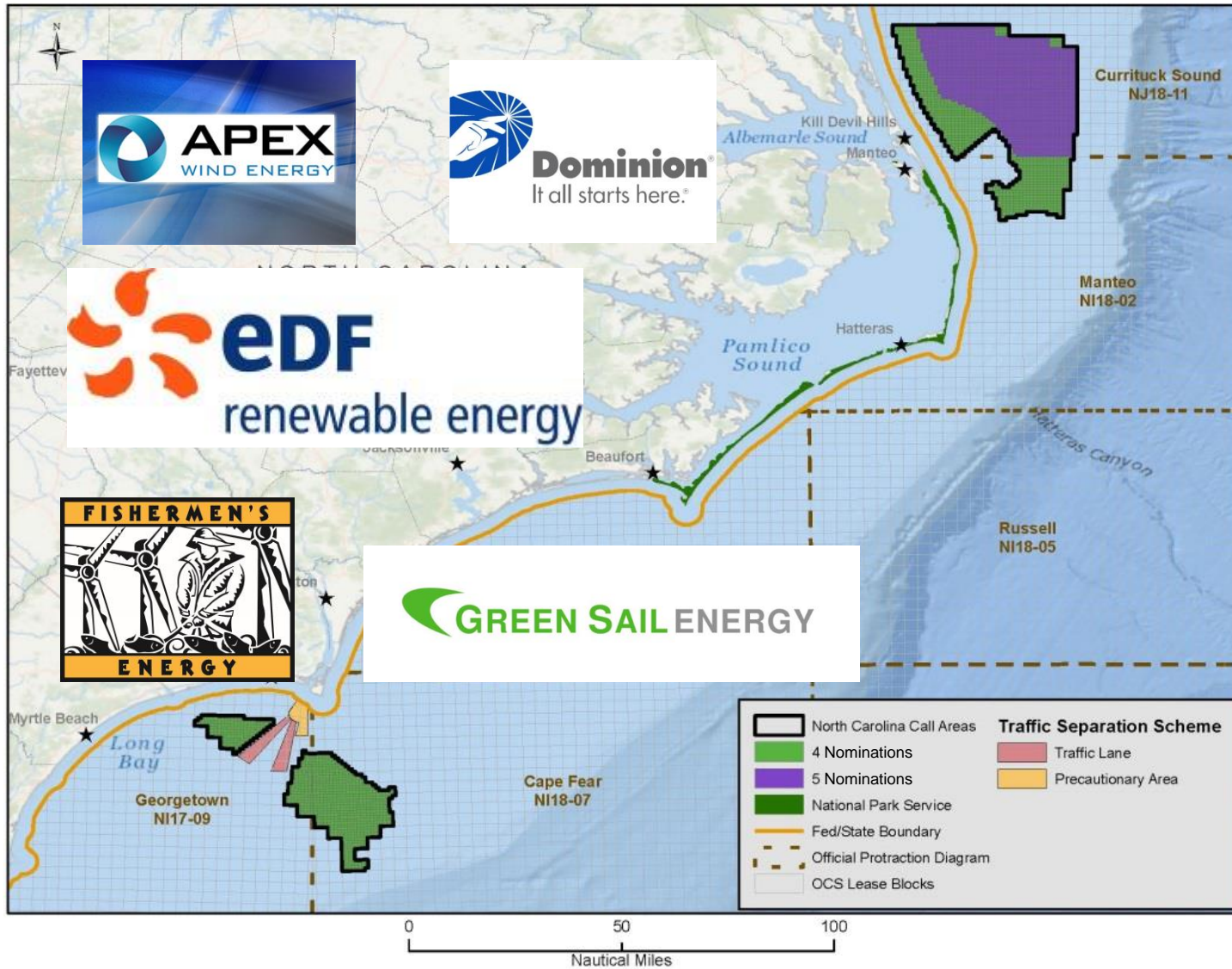


# Request For Interest (RFI) and Proposed Sale Notice (PSN) for North Carolina (Kitty Hawk)

BOEM NORTH CAROLINA TASK FORCE WEBINAR  
APRIL 19, 2016

BUREAU OF OCEAN ENERGY MANAGEMENT  
OFFICE OF RENEWABLE ENERGY PROGRAMS

# Request for Interest (RFI) (Kitty Hawk)



❖ 30 CFR 585.212: *What is the process BOEM will follow if there is reason to believe that competitors have withdrawn before the Final Sale Notice is issued?*

❖ North Carolina Call Published in December 2012

❖ > 3 years ago

❖ Applicants Past History in Other Lease Sales



# Contents of a PSN Document



Summary



Comment Period Dates  
and Where to Send



For Further Information  
Contact



BOEM's Authority



Background

- Environmental Reviews
- Other Activities



Deadlines and  
Milestones



Financial Terms and  
Conditions

- Rent & Operating Fee



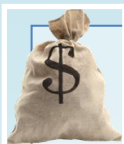
Financial Assurance



Public Seminar



Mock Auction



Bid Deposit



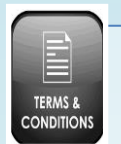
Minimum Bid



Areas Offered for Lease



Withdrawal of Blocks



Lease Terms and  
Conditions



Qualifications: Who  
May Bid



Auction Procedures



Environmental Reviews



Anti-Competitive  
Behavior



Bidding Behavior  
Certification



Non-Procurement  
Debarment and  
Suspension Regulations



Final Sale Notice



Force Majeure

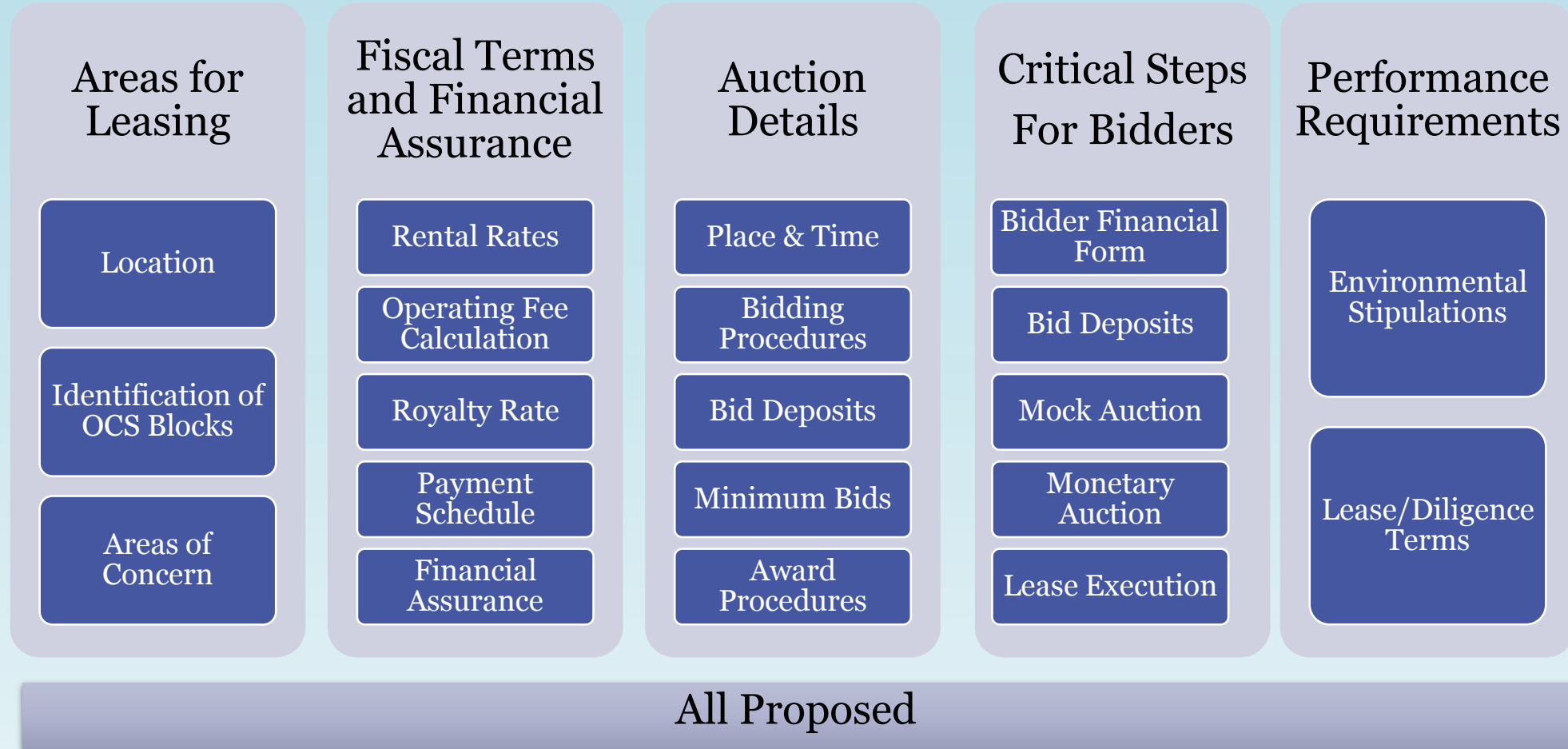


Appeal Procedures

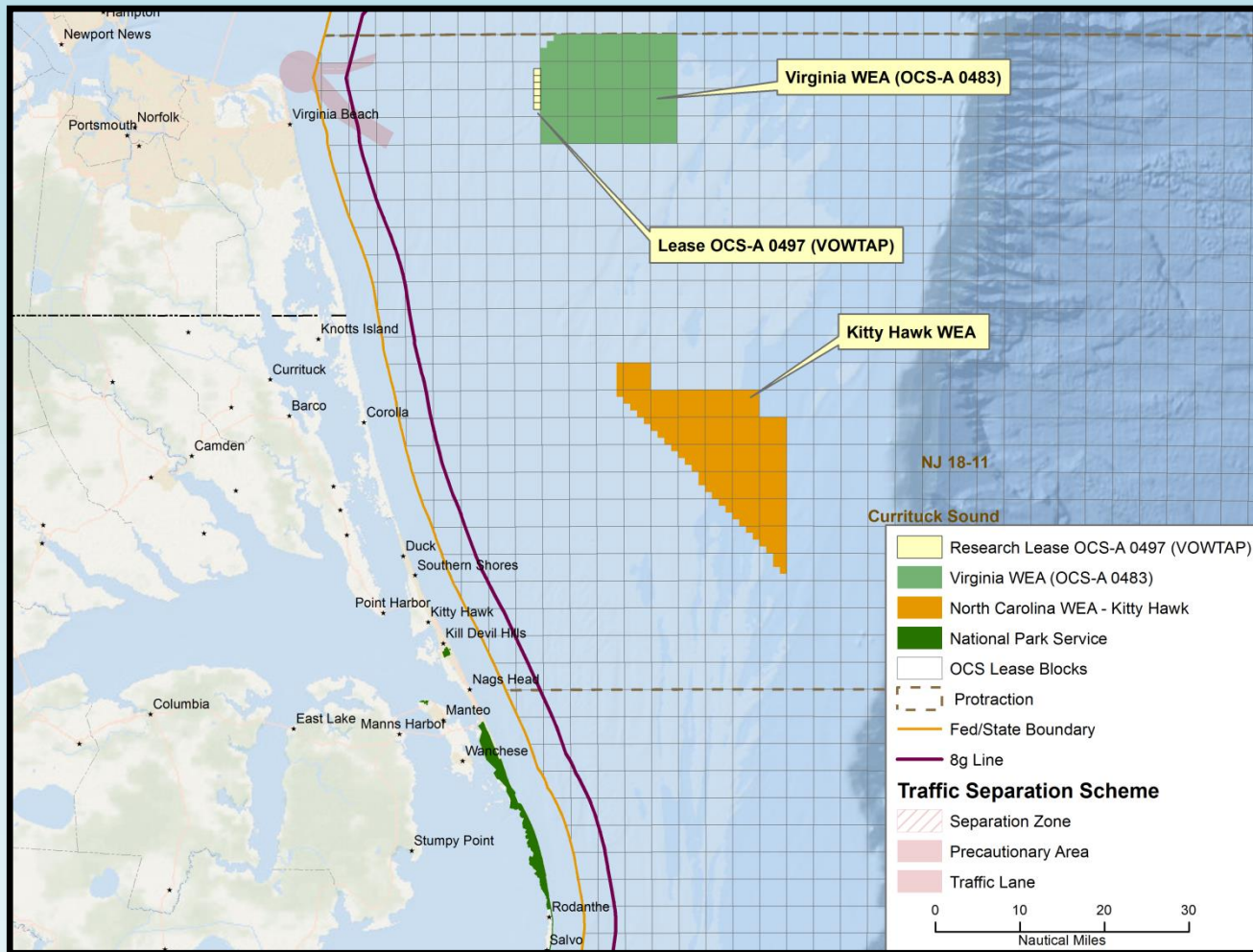


Protection of Privileged  
or Confidential  
Information

# What is in the PSN?



# Proposed Area Offered For Leasing



Parameter	OCS- A 0508 (Kitty Hawk)
Lease Number	OCS-A 0508
Number OCS Blocks	21.5
Number of Acres	122,405
Distance to Shore (nm)	24
Distance to VA WEA (nm)	26
Average Water Depth (m)	27-41
Number of Nominations in Response to NC Call	5

**Area Described in Addendum A of the Lease Package**

# Fiscal Terms

**Annual Rent**

**Annual Project  
Easement Rent**

**Annual  
Operating Fee**

**Financial  
Assurance**

# Annual Rent Payment

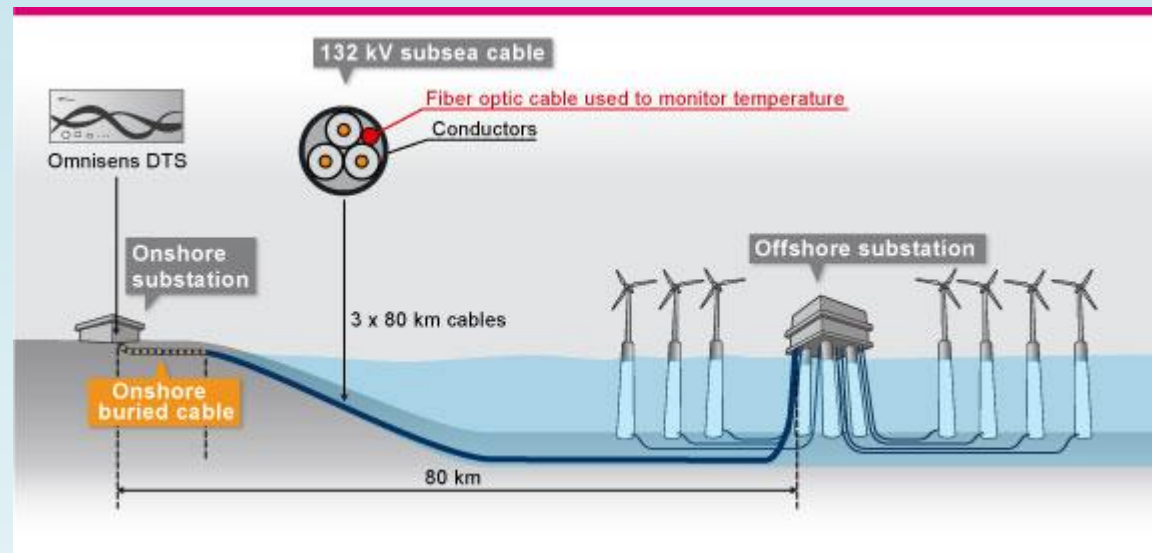
Payment Formula = Leased Acreage \* \$3/acre

- Subsequent rent payments would reflect any adjustments for relinquished acreage or phased development at the time a payment is due
- Last rent payment prior to the start of commercial operations will not be pro-rated

<b>Lease Area</b>	<b>Kitty Hawk (OCS-A 0508)</b>
<b>Size (acres)</b>	122,405
<b>Rental Payment</b>	\$ 367,215

# Annual Project Easement Rent

**Payment** = \$70 per statute mile \* statute miles in 200-foot wide transmission easement, and greater of \$5/acre or \$450 for any additional easement required, per year





# 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]

Formula is based on the *anticipated* annual power output, valued at the preceding year's regional wholesale power price, multiplied by an operating fee rate

# Annual Operating Fee

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

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

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

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

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

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

# 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]

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

$$\begin{array}{cccccccccc} F & = & M & * & H & * & C & * & P & * & r \\ \text{Annual} & & \text{Nameplate} & & \text{Hours} & & \text{Capacity} & & \text{Power Price} & & \text{Operating} \\ \text{Operating} & & \text{Capacity} & & \text{per Year} & & \text{Factor} & & \text{[$/MWh]} & & \text{Fee Rate} \\ \text{Fee} & & & & & & & & & & \\ \\ F & = & 500 & * & 8,760 & * & 0.4 & * & 40.00 & * & 0.02 \\ \\ F & = & \$ 1,401,600 & & & & & & & & \end{array}$$

# Financial Assurance

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



Additional assurance required to cover all decommissioning, operating fees, and other obligations as the 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

# Auction Overview

Sale will be conducted using an internet-based auction system

Bidding for the Lease Area will be on a cash bonus basis

The auction is an ascending clock auction

- Will be conducted over a series of rounds with escalating prices based on demand in each round
- Allows for price discovery
- Discourages harmful bidding practices



# Bid Deposit and Minimum Bid

BOEM requires a bid deposit to participate in the auction

\$450,000 is required in advance of the auction

The proposed minimum bid is \$2/acre

Bidding will start at \$244,810

# Round Structure

BOEM publishes the asking price

Bidders place bids

- Live bid: meets BOEM's full asking price for the current round
- Exit bid: greater than last round's price but less than current round

Round closes

Auction continues so long as there is more than 1 live bid

If the auction continues, BOEM posts the following information to bidders:

- The number of live bids
- The next round's asking price

Repeat

# Asking Prices

BOEM determines the asking prices and asking price increments

When two or more bidders submit live bids, we raise the price in the next round

Increments are set by BOEM during the auction and may be different for successive rounds

# Example: One Lease Area

Round	Bidder 1	Bidder 2	Bidder 3	Bidder 4

# Example: One Lease Area

Round	Bidder 1	Bidder 2	Bidder 3	Bidder 4
1) Who wants the lease area for \$300,000?				

# Example: One Lease Area

Round	Bidder 1	Bidder 2	Bidder 3	Bidder 4
1) Who wants the lease area for \$300,000?	Yes	Yes	Yes	Yes

# Example: One Lease Area

Round	Bidder 1	Bidder 2	Bidder 3	Bidder 4
1) Who wants the lease area for \$300,000?	Yes	Yes	Yes	Yes
2) For \$450,000?				

# Example: One Lease Area

Round	Bidder 1	Bidder 2	Bidder 3	Bidder 4
1) Who wants the lease area for \$300,000?	Yes	Yes	Yes	Yes
2) For \$450,000?	Yes	Yes	Yes	Yes



# Example: One Lease Area

Round	Bidder 1	Bidder 2	Bidder 3	Bidder 4
1) Who wants the lease area for \$300,000?	Yes	Yes	Yes	Yes
2) For \$450,000?	Yes	Yes	Yes	Yes
3) For \$600,000?				

# Example: One Lease Area

Round	Bidder 1	Bidder 2	Bidder 3	Bidder 4
1) Who wants the lease area for \$300,000?	Yes	Yes	Yes	Yes
2) For \$450,000?	Yes	Yes	Yes	Yes
3) For \$600,000?	Yes	X	Yes	Exit Bid: \$550,000

# Example: One Lease Area

Round	Bidder 1	Bidder 2	Bidder 3	Bidder 4
1) Who wants the lease area for \$300,000?	Yes	Yes	Yes	Yes
2) For \$450,000?	Yes	Yes	Yes	Yes
3) For \$600,000?	Yes	X	Yes	Exit Bid: \$550,000
4) For \$750,000?				

# Example: One Lease Area

Round	Bidder 1	Bidder 2	Bidder 3	Bidder 4
1) Who wants the lease area for \$300,000?	Yes	Yes	Yes	Yes
2) For \$450,000?	Yes	Yes	Yes	Yes
3) For \$600,000?	Yes	X	Yes	Exit Bid: \$550,000
4) For \$750,000?	Yes	X	Exit Bid: \$700,000	X

# Example: One Lease Area

Round	Bidder 1	Bidder 2	Bidder 3	Bidder 4
1) Who wants the lease area for \$300,000?	Yes	Yes	Yes	Yes
2) For \$450,000?	Yes	Yes	Yes	Yes
3) For \$600,000?	Yes	X	Yes	Exit Bid: \$550,000
4) For \$750,000?	Yes	X	Exit Bid: \$700,000	X
<b>Result:</b>				

# Example: One Lease Area

Round	Bidder 1	Bidder 2	Bidder 3	Bidder 4
1) Who wants the lease area for \$300,000?	Yes	Yes	Yes	Yes
2) For \$450,000?	Yes	Yes	Yes	Yes
3) For \$600,000?	Yes	X	Yes	Exit Bid: \$550,000
4) For \$750,000?	Yes	X	Exit Bid: \$700,000	X
<b>Result:</b>	<b>Winner</b>			

# Lease/Diligence Terms

Specified in Addendum  
B, and at 30 CFR  
585.235

Each lease includes a  
preliminary term of 12  
months in which the  
lessee must submit a Site  
Assessment Plan (SAP)  
to BOEM

Upon approval of the  
SAP, the lessee will have  
up to 4 ½ years in which  
to submit a Construction  
and Operations Plan  
(COP) to BOEM

Upon approval of the  
COP, the lessee will have  
up to 25 years to  
construct and operate  
their proposed wind  
facility

<b>Lease Term</b>	<b>Duration</b>
Preliminary Term	1 Year
Site Assessment Term	5 Years
Operations Term	25 Years
Decommissioning Plan	2 Years Before Lease Expiration OR 90 Days After Activity Completion, Cancellation, Relinquishment or Termination

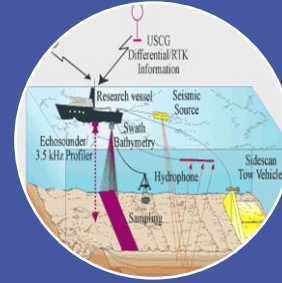
# Addendum C: Environmental Lease Stipulations



Vessel Strike  
Avoidance  
Measures



Archeological  
Survey  
Requirements



HRG and  
Geotechnical  
Survey  
Requirements



Reporting  
Requirements

Included as Standard Operating Conditions in EA and Addresses Lease Issuance to Submittal of a Plan

***Additional Construction or Operations Stipulations May Be Added As Terms and Conditions of Plan approval***



# North Carolina RFI/PSN

## Lease Package



Lease Form

General  
Requirements

Addendum  
A

Description of  
Lease Areas  
&  
Activities

Addendum  
B

Lease Term  
&  
Financial  
Schedule

Addendum  
C

Conditions  
&  
Stipulations

Addendum  
D

Project  
Easement  
(Post COP)

Addendum  
E

Rent Schedule  
(Post COP)

# Leasing Process Time Line & Milestones

No sooner than 45 Days

## Publish Proposed Sale Notice

- Target: Summer 2016
- 60 day comment period
- Process New Company Qualifications

## Publish Final Sale Notice

- Target: Early 2017

## Bid Deposit Due

- Date Announced in FSN
- \$450,000 per Lease Area

## Auction

- Target: Spring 2017

## Auction Seminar

- 3-4 Weeks after PSN Published
- Open to the Public
- Targeted to Bidders

## Bidders' Financial Forms Due

- Date Announced in FSN

## Mock Auction

- Date Announced in FSN

# Leasing Process Timeline and Milestone (Cont.)

## Determine & Announce Provisional Auction Winner

- Day of Auction Conclusion

## Refund Bid Deposits of Non-winners(s)

## Execute Lease

## Send Auction Results to DOJ

- 30 Day Antitrust Review

## Send Lease to Winner

- 45 Days to pay first year's rent
- 10 Business days to:
  - File financial assurance
  - Return Signed Lease Copies
  - Pay Balance of Bonus Bid

# Next Steps

## Circulate Draft PSN to NC Task Force

- Task Force Comment Period



## Consider Task Force Feedback

- Task Force Comments Due April 28th

## Hold Auction Seminar

- Open to the Public
- Targeted toward Bidders

## Consider Feedback in Response to the PSN

## Hold Task Force Webinar

- April 19, 2106

## Publish PSN

- 60 day comment period
- Last Chance for developers to submit qualifications material

## Finalize any New Company Qualifications

Legal, Technical & Financial Qualifications

## Publish FSN

Questions?

