BP Wind Energy

BP Wind Energy NA Inc.
700 Louisiana Street,
33rd Floor
Houston, Texas 77002

May 30, 2012

New York Power Authority
123 Main Street, 16th Floor
White Plains, NY 10601-3170
Attn: Gil C. Quiniones – Co-Chair, Energy Highway Task Force

Dear Mr. Quiniones,

BP wind Energy North America Inc. ("BPWE") is pleased to present our response to the New York State Energy Highway Request for Information for your consideration. We look forward to being part of New York's future energy plans and hope to become a significant part of the energy mix.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Richard Chandler
Director, Wind Business Development

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BP Wind Energy

**BP Wind Energy North America Inc.**

**May 30, 2012**

# Cape Vincent Wind Farm Proposal to

# NEW YORK ENERGY HIGHWAY TASK FORCE

## In Response to the Request for Information dated April 19, 2012

**The information presented in this proposal is that of BP Wind Energy North America Inc. ("BP Wind Energy") and is for informational purposes only. The intent is to introduce the Project and determine the appropriate level of interest and capability for interested parties contemplating a long term power purchase agreement. Nothing contained herein or discussed verbally by the parties shall be considered a commitment or offer or acceptance by any party until such time as a definitive agreement is entered into by both parties. Any such commitment would be based upon credit approval, satisfactory due diligence, mutually agreeable documentation, regulatory approvals, and satisfaction of relevant conditions precedent and subject to receipt of required internal approvals of the parties.**

## A. REQUIRED INFORMATION

### 1.0 Respondent Information

Respondent name: BP Wind Energy North America Inc. ("BP Wind Energy")
Address: 700 Louisiana Street, 33rd Floor, Houston, TX 77002

Primary contact: Richard Chandler
Director, Business Development
700 Louisiana Street, 33rd Floor, Houston, TX 77002
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Background and experience

BP Wind Energy, which entered the U.S. renewable energy market in late 2005, is a Business Unit within BP which is one of the world's largest energy companies. In the U.S., BP has approximately $52 billion in assets and employs some 23,000 staff. The company's main businesses are exploration and production of oil and gas, refining, manufacturing and marketing of oil products and petrochemicals, and the transportation and marketing of natural gas.

With a growing business in wind power and advanced biofuels, BP has invested approximately $7 billion in alternative energy development. BP Wind Energy is a principal owner and operator of wind power facilities with interests in 13 wind farms. Today, BP Wind Energy has a gross generating capacity of 1,955 MW – enough electricity to power over 586,000 average American homes. By the end of this year, BP Wind Energy expects to have completed development of three more wind farms that will generate over 600 additional MW of electricity, which will secure BP Wind Energy's position as being among the top five U.S. wind developers. By the end of 2012, BP Wind Energy will have built and will be operating approximately $5 billion worth of wind farms in the United States.

In New York, Cape Vincent Wind Power, LLC, a wholly-owned subsidiary of BP Wind Energy, is developing the Cape Vincent Wind Farm (the "Project") in Jefferson County. With the acquisition of the neighboring St. Lawrence Wind Farm project in February 2012, the Cape Vincent Wind Farm now can reach upwards of approximately 285 MW in size. Given its long-standing and substantial investment in this project, BP Wind Energy looks forward to the opportunity to bring utility-scale wind to New York State.

## 2.0 Project Description

Type of project: Generation
Size of project: Upwards of approximately 285 MW
Location: NYISO Zone E, Town of Cape Vincent, Jefferson County
Fuel source: Wind
Earliest COD: 2014
Project technology: Utility-scale wind is a well-established, advanced technology already utilized across the globe as well as in the U.S. and New York State. Turbines are available from multiple vendors and wind is a highly suitable technology for New York State given its strong wind resource.

## 3.0 Project Justification

Alignment with New York State Energy Highway objectives and goals

The "Energy Highway" is a proposal that promises to help provide reliable, affordable power to New York's homes and businesses for the next half century while creating jobs, energizing private-sector investment and protecting the State's environment and the well-being of its citizens. The Cape Vincent Wind Farm is well aligned with these objectives outlined by the State.

As noted in the RFI, New York's electrical infrastructure is aging. While additional system upgrades are needed to advance a new energy economy in the State, the Cape Vincent Wind Farm is a project capable of moving forward now without substantial transmission-related investment. The Project has been studied as part of the NYISO interconnection process and the results find that no network upgrades are needed to tie the Project to the grid. Consequently, the Project offers the unique opportunity to leverage the State's existing electrical infrastructure while delivering near term, utility-scale renewable energy to the State.

The Energy Highway RFI also notes that NY has up to 8,000MW of wind resources. The Cape Vincent Wind Farm would look to tap that resource and, in the process of doing so, help to generate economic development in a region of the state that has been hit hard by today's challenging economic times. From direct and indirect jobs created during construction and operations to serving as source for tax revenues, the Cape Vincent Wind Farm will serve as an economic windfall to the Jefferson County area and help strengthen the State's economy.

Projects such as the Cape Vincent Wind Farm help ready the State for any pending shutdowns or slowdowns of existing, older generating units and support a future based on renewable energy to power the State's growth in the both near and long term. Growth in renewable energy supports the State in protecting public health, preserving natural resources and avoiding greenhouse gas emissions. The Project furthers diversity of power generation sources in New York State and bolsters energy security.

The RFI clearly indicates its desire for projects that are:

- sustainable and environmentally responsible
- creative,
- economical, and
- practical

The Cape Vincent Wind Farm meets each of these criteria:

- utilizes clean, renewable wind
- leverages the most advanced, proven wind turbines in the industry
- bolsters economic development through job creation and increased taxes
- brings a proven, practical solution through a project that is well developed and can be implemented in the near-term

In short, the New York Energy Highway is seeking the very best ideas that project developers can bring forward – the Cape Vincent Wind Farm answers this call and can help make the Governor's vision a reality.

## 4.0 Financial

Prospects of a private-public partnership /general financial structure and funding options

BP Wind Energy appreciates the opportunity to work closely with New York State to help advance the Cape Vincent Wind Farm project. As it currently stands, BP Wind Energy would not rely on public funding for the construction of the project. BP Wind Energy will fund the project with a combination of equity and non-recourse project financing from major financial and energy institutions with whom BP has strong and long-standing relationships. Additionally, BP Wind Energy would not impose project debt as a condition to enter into long-term power purchase agreements. To assist the project during the operations phase, it is expected that the project will coordinate with the local jurisdictions to develop a PILOT agreement that can facilitate wind power in Jefferson County.

## 5.0 Permit / Approval Process

Prospects of a private-public partnership

For the Cape Vincent Wind Farm to move forward, it is understood that the project will need to work closely with local jurisdictions as well as state and federal agencies.

Federal, State and local permits needed to develop and operate the project

The Cape Vincent Wind Project has been in development since the mid 2000's and as a result has completed an extensive catalog of studies to support the various permit applications that will be needed. During its development, the project has accumulated three years of avian/bat studies and conducted numerous other studies including, wetland delineation, sound level, visual simulation, historic, transportation, communications, etc., all of which helped support the Draft EIS and Supplemental EIS that was compiled early last year. With the recent changes to New York permitting taking place under the Article X process, the project is currently in the process of re-evaluating and identifying the few remaining studies that will be needed to proceed with permitting.

Permitting status, including NYISO interconnection status

Given the revised Article X process currently underway, the project is awaiting final resolution before determining a path forward on permitting. Regarding interconnection, the project has completed its System Reliability Impact Study (SRIS) and Facility Study and is currently in negotiations with NYISO to finalize an Interconnection Agreement.

Key uncertainties in federal, State and local project permitting and suggestions for addressing these uncertainties

The key permitting uncertainty for the Cape Vincent Wind Project lies in the resolution of the Article X implementing regulations. BP Wind Energy, along with many other wind proponents, submitted comments on Article X earlier this month with the hope of achieving a stable, predictable, and commercially reasonable permitting regime to support wind power development in the state. We appreciate the State's support in achieving this common goal as it works to finalize and issue the Article X regulations later this summer.

## 6.0 Other Considerations

Suggestions for issues or challenges facing the project and future projects

Wind projects can benefit greatly from the certainty provided by a long term power purchase agreement. This helps with securing a future revenue stream that can then be used to help with financing the project. Given the purchasing power of the public authorities in New York, we look forward to seeing a stronger willingness by such entities to enter into 20 year power purchase agreements.

## B. ADDITIONAL INFORMATION

### 1.0 Property

The project will be located on previously disturbed private land, much of which is used for low-grade farming. BP Wind Energy has nearly completed the land lease and transmission rights-of-way contract work needed to support the full project layout.

### 2.0 Property projected in-service date and project schedule

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|---|---|
| Complete environmental and cultural studies | 2H 2012 |
| Complete preliminary engineering | 2H 2012 |
| Submit Article X permit application | 2H 2012 |
| Start detailed engineering | 1H 2013 |
| Obtain local, state, and federal permits | 2H 2013 |
| Mobilize to site | 2H 2013 |
| Sign turbine supply agreement | 2H 2013 |
| Start construction | 1H 2014 |
| Start testing and commissioning | 2H 2014 |
| Commercial Operations | 2H 2014 |

### 3.0 Interconnection

BP Wind Energy will build a 115kV transmission interconnection line, approximately seven miles in length, to interconnect the Project to the NYISO at the Lyme substation owned by National Grid.

After conducting a system interconnection study of the Project, NYISO determined that no network upgrades are needed to support the injection of the Project's capacity and energy into the grid.

### 4.0 Technical

The Project's equipment and components have an anticipated life of at least 20 years and the original equipment manufacturers (OEM) warranties are for 2 years from start of operation. Such OEM warranties are of high quality, as many are backed by some of the largest and financially stable companies in the world, including GE, Samsung, Siemens, and Vestas.

**5.0 Construction**
BP Wind Energy will use competitive sourcing of equipment and construction contractors.

BP Wind Energy will typically purchase all major equipment such as turbines, transformers and bulk cable, perform preliminary engineering, and contract with a balance of plant (BOP) contractor to construct and commission the Project.

The BOP contractor will attempt to use locally sourced materials and personnel as much as possible pending availability of skilled labor in the Project's general area.

BP Wind Energy typically enters into decommissioning agreements with local jurisdictions. These agreements typically outline the responsibility of the project owner to pay for the removal of the Project equipment and for the restoration of the Project area.

**6.0 Operational**
BP Wind will have full time safety teams on site during construction as well as an emergency response plan which deals with various types of emergencies.

**7.0 Socio-economic**
The socio-economic benefits generated from the Project are expected to be significant and will tie directly to the final project size and layout. These benefits can be better defined as the Project moves closer to construction.

**8.0 Financial**
BP Wind Energy will fund the project with a combination of balance sheet equity and non-recourse project debt from major lenders and financial institutions.

BP Wind Energy will be the Project sponsor and may enter into a 50% partnership with large power industry participants. In the past, BP Wind Energy has partnered with companies such as Sempra Generation, Dominion Resources and NRG Energy.

BP Wind Energy's preferred source of project revenue is to enter into a long-term power purchase agreement with a credit worthy counterparty; however, other sources of revenue which will allow the Project to be financed will also be considered (e.g. a combination of a long-term renewable energy credit (REC) contract from NYSERDA and an energy hedge).

## 9.0 Environmental

The environmental benefits generated from this renewable energy project are expected to be significant and will tie directly to the final project size and layout. As the project continues through its design and engineering phase, it will continue to seek ways to reduce disturbance to sensitive habitat. For example, BP Wind Energy acquired the neighboring St. Lawrence Wind Farm in February 2012. Combining both projects into one wind farm will allow for several optimizations that will reduce the overall environmental impact compared to both projects proceeding on a standalone basis. The combined Cape Vincent Wind Farm will cut the number of project substations to one, reduce the length of the transmission line, and allow for better spacing and siting to further reduce environmental impact. A more complete discussion of environmental impacts would be addressed in the Project's permitting documentation.

## 10.0 Project Contract / Request for Proposal Status

The Project has not been submitted to New York State agency or authority in response to a Request for Proposals.

## 11.0 Public Outreach and Stakeholder Engagement

As noted earlier, the Project has been in development since the mid-2000's. Throughout its development, the Project has been well engaged with local landowners, public officials, and other stakeholders. Outreach has been conducted through numerous forums, including meetings, presentations, and/or calls with the Town of Cape Vincent, Jefferson County, and the Department of Environmental Conservation as well as through public events to engage local residents. The Project will look to continue its strong stakeholder engagement approach as it continues through development, permitting, and construction.