

Summary of Submerged Lands Lease Rent Options

The following is a summary of several options for submerged lands rental fees. The calculations are based on the terms used in the Mineral Management Service Model described below. The MMS leasing rules use a formula that includes a base rent of \$3 per acre that is charged from the start of the lease through testing and development. When the facility begins operations and produces power, the base rate is replaced with a royalty payment (operations fee). As additional towers and turbines are added, the payments increase accordingly until full operations are reached. The operating fee (royalty) portion of the rent is calculated using the following terms:

- Nameplate capacity of the facility in megawatts (150 MW used in example)
- The hours per year (8760)
- The “capacity factor” representing the anticipated efficiency of the facility expressed as a decimal between zero and one (0.38 is used in the example and is adjusted to reflect the actual efficiency after one years operation and every 5 years thereafter)
- The average annual wholesale electric power price expressed in dollars per megawatt hour. This is based on the Department of Energy (DOE) reported value for the state receiving the connection from the facility. (\$50 per MWH is used in the example)
- The operating fee rate MMS uses is 2 % (0.02) unless otherwise specified in the lease agreement.

Example: A 150 MW wind farm on 9000 acres (14 square miles).

Project size: 150 MW

Hours/year: 8760

Capacity Factor: 0.38

Average Annual Wholesale Price: \$50/MWH (Rate for Maine in 2008 was \$41/MWH)

Operating Fee Rate: 2%

Rent per acre: \$3

$(150 \text{ MW}) \times (8760) \times (0.38) \times (\$50/\text{MWH}) = \$25 \text{ million annual revenue (rounded)}$

$\times 2\% \text{ Operating Fee Rate} = \$500,000 \text{ (rounded)}$

Base Rent during development phase: $(\$3) \times 9000 \text{ acres} = \$27,000$

	Base Rent/year during development phase	Operating Fee/year during energy production phase
MMS Lease Model	\$27,000 (\$3/acre)	\$500,000 (2% of revenue)
Revenue Sharing within 3 miles of State waters (8)g zone) (28%)	\$7,560	\$140,000
State Lease using MMS model	\$90,000 (\$10/acre)	\$2,000,000 (8%)
Phased Operating Fee Option	\$90,000 (\$10/acre)	\$1,250,000 (5%) Year 1-5 \$2,500,000 (10%) Year 11-20 \$3,500,000 (15%) Year 21-30
Fixed Rate of \$14,000 per Megawatt capacity	\$90,000 (\$10/acre)	\$2,100,000
Fixed Rate per Acre (\$230 per acre)	\$90,000	\$2,070,000