



Scandia Wind Offshore, LLC  
6311 Trap Line Circle  
Chanhasen, MN 55317

tel (612) 819-0522  
web [www.scandiacwind.com](http://www.scandiacwind.com)

March 2, 2010

**To:** Mr. Michael G. Schneider, Chairman of the Board, Mason County Board of Commissioners  
Mr. Larry VanSickle, Chairman of the Board, Oceana County Board of Commissioners

**From:** Scandia Wind Offshore LLC

**Re:** The Aegir Project Proposal

We at Scandia Wind Offshore (SWO) appreciate the citizens and officials of Mason County and Oceana County willingness to consider the Aegir Project, our proposed offshore wind farm. After conducting three public meetings and numerous private meetings, we have received considerable public input to inform our next steps. Based upon that initial feedback, we propose revising the project footprint from 1,000 to 500 megawatts (see Appendix A) with the following characteristics and agreements:

- One-half of the original project footprint: 50 square miles (approximate);
- A (minimum) four-mile buffer will be maintained from shore (Appendix A); a distance to be maintained as State of Michigan officials consider new legislation for offshore wind farms;
- The removal of turbines from the southern portion of the original proposal to arrive at the 500 megawatt wind farm size and includes a slight shift north;
- The possibility of locating the wind farm entirely in either Mason or Oceana County, in the event one county votes “yes” and the other votes “no”. The shape and form of the wind farm will then be detailed and presented for an additional decision;
- Minor changes to the final layout may be made to accommodate shipping lanes, environmentally sensitive areas, or other issues revealed after more in-depth studies (we will keep county officials informed of such changes as they occur);
- The Operations and Maintenance facility will be located in Mason County (a contractual obligation to be negotiated between SWO and Mason County, suggested out of respect for the Pentwater resolution to oppose the wind farm);
- Final decisions regarding a bottomland lease in Lake Michigan will be made by agencies of the State of Michigan;
- A proposed compensation model (see Schedule A).

Based upon the revised/reduced layout, Scandia Wind Offshore (SWO) has developed new visualizations using the same photographs from the original visualizations (see Appendix B).

## **Formal Response Requested**

It is requested that a formal response be given to move forward into the impact studies for the Aegir Project wind farm by September 1, 2010 as follows:

1.) **YES:** *The Mason County and/or Oceana County Board of Commissioners (the “Boards”) find the visual impacts of the Aegir Project wind farm proposal to be acceptable and advise(s) Scandia Wind Offshore LLC to enter into full impact studies. The Boards understand that final decisions will be based upon the results of the required studies.*

*Or*

2.) **NO:** *The Boards do not -- under any circumstances -- find acceptable the visual impacts of the Aegir Project as presented and advises Scandia Wind Offshore LLC to cancel the project.*

It is understood that there are various government entities within Mason County and Oceana County (townships, villages, municipalities, etc.). Please consider this a formal request to meet with the respective entities’ Boards and personnel prior to each County Board’s formal response (SWO would appreciate the opportunity to meet with all entities and/or personnel interested in such meetings but does not require it).

It is important to balance the positive and negative impacts inherent in such a project. The pros are often weighed toward society at large, while the cons are borne by the local communities. Please carefully consider the following important micro- and macro-arguments before communicating a formal response to the options above:

### **Job Creation**

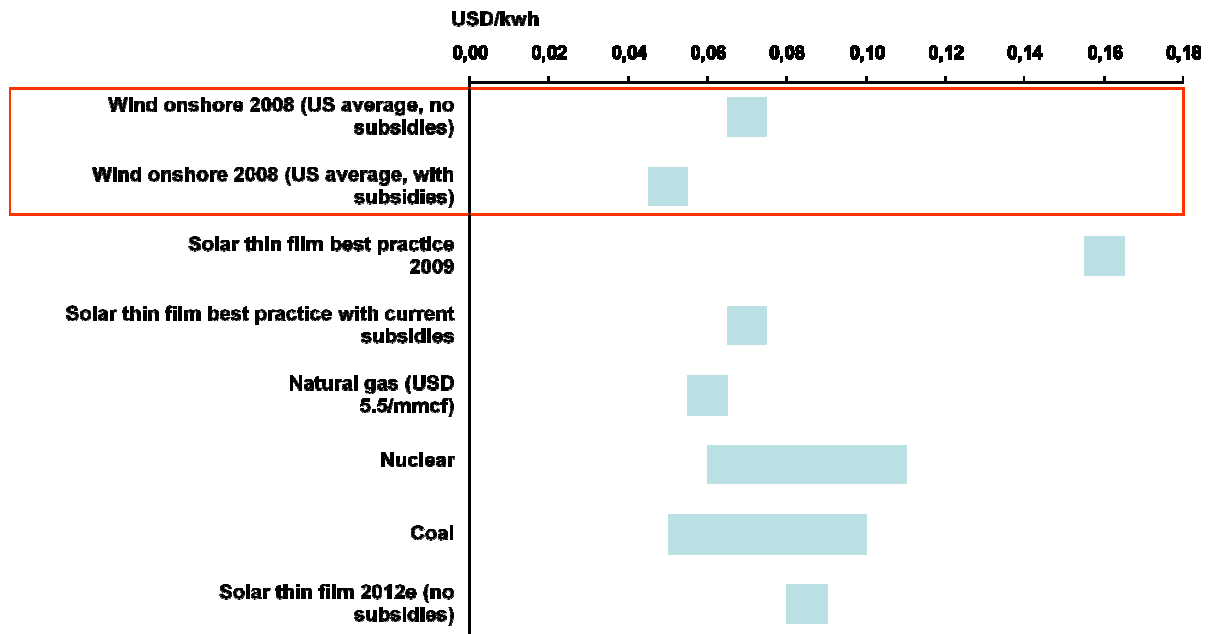
It is important to maintain the size estimate of the proposed wind farm in order to attract manufacturers and develop the supply chain in the region. Job creation estimates (based on other offshore wind farm business models; detailed estimates for the Aegir project are forthcoming) are as follows:

- 1,000-1,500 direct man-years during the construction phase
- 50 direct jobs in the operational phase
- 1,500 permanent jobs in manufacturing and supply chain fulfillment (market share results are largely predicated on reasonable permitting process time as well as incentive packages from the State of Michigan or agencies therein)

Though all jobs cannot be guaranteed to be located in Mason and Oceana counties, SWO will continue working with the local industry, schools, non-government organizations, and the State of Michigan agencies to assist in making the region competitive. We are committed to contributing to the ongoing preparation, in order for the region to seize the new opportunities in the wind energy industry.

## Energy cost per energy source

The overview below illustrates the cost per energy source. Today onshore wind energy is highly competitive with fossil fuel energy sources.



Source: Arctic Energy Partners, FPL Energy, IEA, Sun Edison, Simmons, Bloomberg

## Carbon Dioxide (CO<sub>2</sub>) Emissions: The Environmental and Human Impacts

**The Intergovernmental Panel on Climate Change** ("IPCC", a scientific body established by the United Nations Environment Programme and the World Meteorological Organization)

The growth of CO<sub>2</sub> in the atmosphere is scientific fact. The continued growth of CO<sub>2</sub> emissions will result in increased global temperatures and extensive climate change. The debate is about the extent to which this is caused by human activities (which the IPCC suggests is "very likely"). Severe impacts are felt by citizens of third-world countries as well as many animal species facing extinction.

The impacts of fossil fuel energy generation have also been felt locally. The air deposition of pollutants on Lake Michigan and the ozone on the shore have been an ongoing environmental concern in the region. These concerns are manifest in the State of Michigan's quest to diversify its methods of power generation to include renewable energy.

The State of Michigan's fleet of fossil fuel-burning power plants is aging at a pace that opens the opportunity to harvest an abundant natural resource for power generation: offshore wind. The political emphasis is perhaps best illustrated by the formation of the Michigan Great Lakes Wind Council (GLOW Council). Michigan is committed to continuing a "fuel switch" as it seeks to become less reliant on importing a considerable amount of its energy resources. Such initiatives are consistent with national policies to diversify energy sources – initiatives that are both environmentally and strategically important.

**Compensation Model**

SWO proposes the following compensation model for the Aegir Project:

- \$2,000 per megawatt (“Fixed”) annual compensation paid to Mason County and Oceana County (or a Community Trust (a “Trust”) established according to instructions set forth by the Mason County Board of Commissioners and the Oceana County Board of Commissioners)

Or

- A “revenue-share” model (“Variable”): a percentage (to be determined) of gross revenue produced by the proposed wind farm

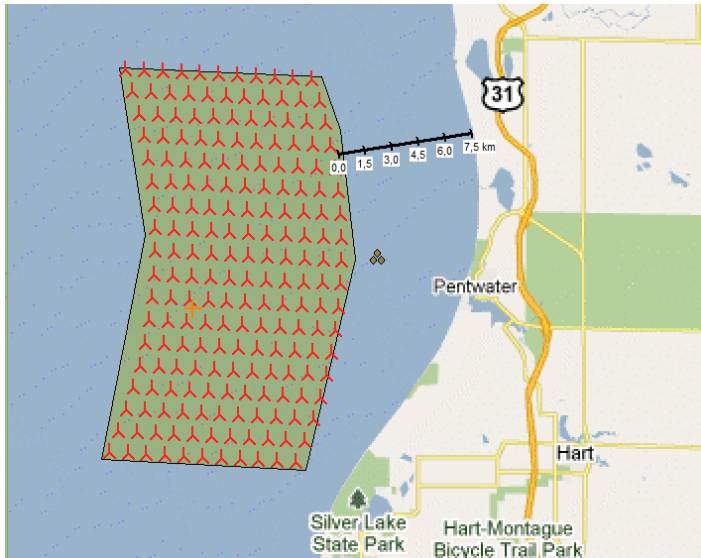
Or

- A mutually-agreed upon combination of the Fixed and Variable compensation models
  
- A Public/Private Partnership whereby Oceana County and Mason County (or a Trust) receive a profit-share, established as a “free ride” (no capital investment required by a County or Trust, and with all expenses borne by SWO, in accordance with a legal contract to be established)

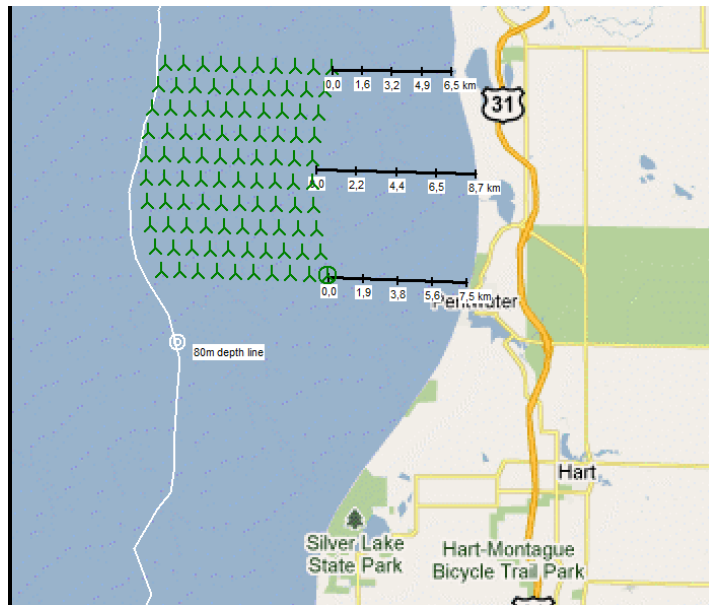
\*See note in Appendix A regarding financial impacts for project layout changes

## Appendix A

Original 1,000 megawatt wind farm layout:



Revised 500 megawatt wind farm layout:



**\*Note regarding project layout changes:**

The recently revised layout of the Aegir Project has greatly reduced the placement of wind turbines on a geographic parallel west of Oceana County as it removes turbines from the south and shifts the turbine placement slightly north. The proposed compensation model contemplates a county border line-equivalent extending west into the water to define per county compensation. ***SWO will consider additional project size and form change requests from Oceana County and/or Mason County.***

**Visualizations for a 500 vs. 1,000 Megawatt Wind Farm**

Snapshot Ludington (South viewpoint angle): 1,000 megawatts



Snapshot Ludington (South viewpoint angle): 500 megawatts



Snapshot Ludington (Southwest viewpoint angle): 1,000 megawatts





Snapshot Ludington (Southwest viewpoint angle): 500 megawatts



Snapshot view from Mears Park, Pentwater (West/Southwest viewpoint angle): 1,000 megawatts



Snapshot view from Mears Park, Pentwater (West/Southwest viewpoint angle): 500 megawatts



Snapshot view from Mears Park, Pentwater (Northwest viewpoint angle): 1,000 megawatts



Snapshot view from Mears Park, Pentwater (Northwest viewpoint angle): 500 megawatts



Snapshot Silver Lake (Northwest viewpoint angle): 1,000 megawatts



Snapshot Silver Lake (Northwest viewpoint angle): 500 megawatts



Snapshot Silver Lake Park (North/Northwest viewpoint angle): 1,000 megawatts





Snapshot Silver Lake Park (North/Northwest viewpoint angle): 500 megawatts



Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Steve Warner', with a stylized, cursive script.

Steve Warner, CEO  
Scandia Wind Offshore LLC  
6311 Trap Line Circle  
Chanhassen, MN 55317