

**Texas Commission on Environmental Quality  
New Technology Implementation Grant (NTIG) Program  
Quarterly Project Status Report**

**Contract  
Number:**

582-11-13126-3225

**Grantee:**

General Compression

**Report for the  
Monthly period:**

Q1

**Date**

**Submitted:** March 27, 2012

### **Section I. Accomplishments**

*Provide a bulleted list of project accomplishments as well as a description of their importance to the project.*

General Compression ("GC") and project partner ConocoPhillips ("COP") have established the necessary goals, legal and financial framework, operational responsibilities and staffed a respective team of design engineers, construction managers, consultants and energy executives to plan and successfully complete the scope of work for this grant. The following accomplishments (by task) are critical path activities for the project that have been completed as of March 31, 2012 (4th Quarter):

#### **Task 1**

- GC and COP are currently in negotiations to amend the Gaines, TX Project Site License Agreement (SLA) and extend site access for the project for a minimum of 7 years. We expect a decision after May 15, 2012.

#### **Task 2 Updates**

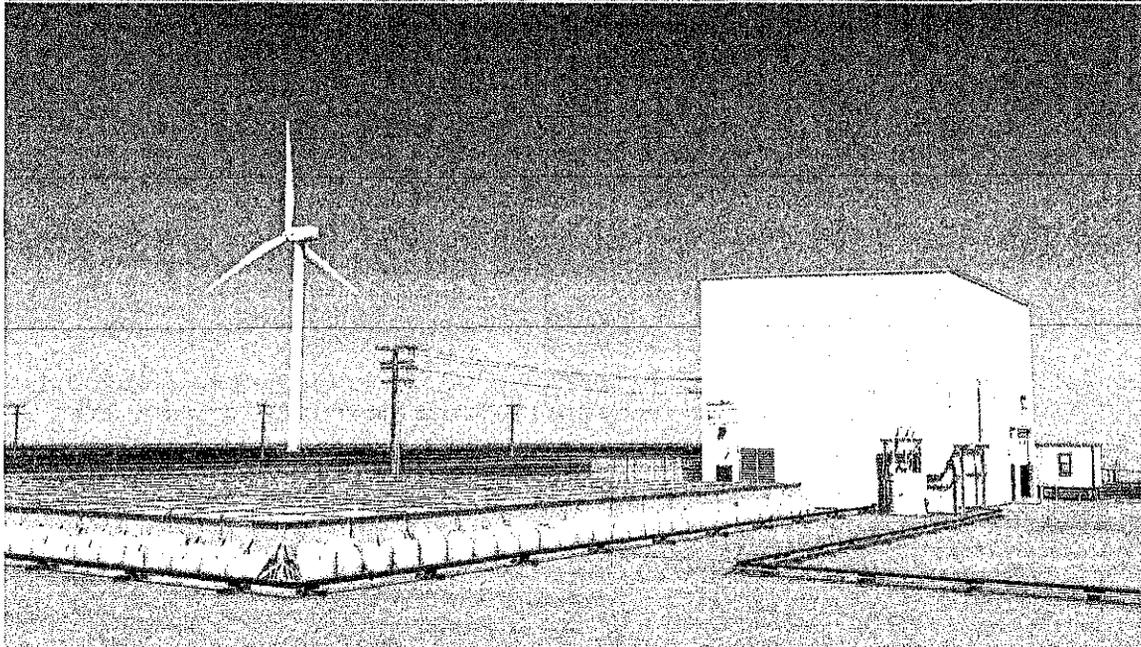
RES has executed the below on behalf of General Compression:

- Registered turbine with The Federal Aviation Administration (FAA)
- The (FAA) application was submitted and clearance was received
- Secured FAA Permit (*Determination of No Hazard to Air Navigation*)
- Geotech study for Wind Turbine conducted
- Title Search
- Negotiation of wind contract with Suzlon and other wind turbine suppliers
- Negotiated with land owners for wind turbine.
- Currently negotiating our lease with land owner.

**Task 2 Deliverables:**

On March 27, 2012 GC submitted additional Task 2 Deliverables:

- The FAA conducted an aeronautical study on the structure and location of the site; we received *Determination of No Hazard to Air Navigation* approval from The FAA (March 2, 2012) submitted *Confidential/Proprietary: inform applicant & seek AG opinion before releasing*
  - Attached pictures of wind turbine location and site



### **Next Steps (task 2)**

- GC is currently in negotiations to procure a Wind Turbine(s) for integration with the GCAES demonstration project in Gaines, TX.

### **Task 3**

#### **Task 3 Updates:**

Electrical Interconnect design is on going with our Wind EPC (RES)

The wind turbine specs and design are currently underway; Scada and foundations are being designed. As well, the civil and electrical specs are being completed. We will be delivering such upon completion, as part of Task 3 *Site Prep*.

#### **Task 4 Updates:**

- Submitted amendment request for the Task 4 deadline; extension requested May 15, 2012. The Proof of Concept (“POC”) unit testing hours experienced a delay and more than three weeks of accumulated down time because of an upgrade and installation of a new large vessel seal design.
- The POC Watertown commercial demonstrator endurance testing has achieved 795 of operating hours thus far. The testing on the GCAES design is on-going and will continue until the remaining 155 hours are met. Testing will be complete by May 15, 2012.
- The construction of the GCAES ASP Unit 1 was completed on March 9, 2012.
- GCAES ASP Unit 1 was fully energized on March 16, 2012.
- ASP Unit1 is currently in the calibration and commissioning phase.
- ASP Unit 1 testing is expected to commence first week in April 2012.

### **Task 5**

- GCAES ASP Unit 2 “Kelvin” design is complete and will be submitted as ***Confidential/Proprietary: inform applicant & seek AG opinion before releasing*** on March 27, 2012.
  - GCAES ASP Unit 2 “Kelvin” assembly and installation plan is under development.
- The ASP Unit 2 previously defined as a single 2.5MW compressor/expander unit, is now part of a 9MW commercial module (with four 2.5MW compressor/expander vessels).

### **Task 6**

- RES Americas is the project’s designated wind EPC.
  1. RES is in negotiation for the wind turbine.
- GC Supply Chain team has initiated procurement of ASP Unit 2 “Kelvin” components.

## **Section II: Problems/Solutions**

Problem(s) Identified: Report anticipated or unanticipated problem(s) encountered and its effect

on the progress of the project.

1. The Proof of Concept ("POC") unit **testing** hours experienced a delay and more than three weeks of accumulated down time because of an required upgrade and installation of a new large vessel seal design.
2. We initially encountered delays in confirming the schedule/timeline to permit/install wind turbine(s) at the Gaines site before the May 2013 deadline.

**Proposed Solution(s):** Continue to report any possible solution(s) to the problems that were considered/encountered

**GC Solutions:**

1. Requested extension to May 15, 2012 for the submission of the 1000 hours. The POC Watertown commercial demonstrator endurance testing is more than 83% completed; the unit has achieved 795 of operating hours thus far. The testing on the GCAES design is on-going and will continue until the remaining 155 hours are met.
2. We mitigated the wind turbine permitting delivery risk by contracting URS to fast-track the process. We will be able to successfully install the wind turbine by Q4 2012.

GC will continue to present a best and worst case timeline based on the project development milestones to TCEQ as new information is made available.

**Section III. Goals and Issues for Succeeding Period:**

Provide a brief description of the goal(s) you hope to realize in the coming period and identify any notable challenges that can be foreseen:

- a) GC continues to make progress in completing Task 1 by working toward providing a revised SLA. GC continue negotiations with COP; which is part of a larger financial transaction and agreement.
- b) GC submitted Task 5 on March 27, 2012.
- c) Actively working toward Task 3 (Wind Site Prep) and Task 4 (testing hours) before receiving the Notice to Proceed to pursue Tasks 6 and Task 7.

c) GC will continue to host conference calls with the TCEQ Grant Management Team in order to provide updates on the project timeline and plan regarding the Wind Turbine integration, 1000hr of endurance testing, timing on ASP Unit 2; "Kelvin" (TCEQ Funded Unit) project completion date.

*David Marcus* – President Date:

Date: March 27, 2012

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*Authorized Project Representative's Signature*