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

Contract Number:	582-11-13126-3225		
Grantee:	General Compression Inc.		
Report for the Monthly period:	Q3	**Date Submitted:**	Oct 7, 2011

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 by GC and COP as of September 30, 2011 (3rd Quarter):

Task 1

- GC and COP have secured a site in Gaines, TX to host the GCAES™ demonstration project and for potential future commercial operation. Access to the site includes all necessary assets located on the defined land area, including the man-made salt cavern, Balance of Plant (BOP), brine pond, and disposal wells. Site access includes an option for 5 +year term and for (3MW) of wind turbine(s) integration.
- A number of commercial and legal agreements have been negotiated and executed by GC and COP, including the Site License Agreement ("SLA") to be submitted as part of Task 1 deliverables.
- The Task 1 report is currently under development and will be submitted by the October 25, 2011 deadline.

Task 2

- The permit(s) to install and operate the GCAES system and construction of the BOP have been applied for and granted to GC and COP.
- The permit to repurpose the existing geological salt cavern from liquid hydro-carbon service to Compressed Air Energy Service ("CAES") have been applied for and granted by the Texas Railroad Commission.
- The permitting process to install and operate wind turbine(s) on or near the project site is currently underway. GC and COP have hired an environmental consultant URS http://www.urscorp.com/index.php of Austin, Texas to perform a Wind Integration Fatal Flaw Analysis and obtain the necessary regulatory approvals

to integrate (3MW) of Wind Turbines with the GCAES demonstration project in Gaines, TX.

Task 3

- The development of the project installation plan which includes the re-commissioning of the salt cavern, preparation of the project site (including foundation), BOP and the electrical interconnect has been developed.
- The cavern design and engineering has been completed. The cavern re-commissioning is currently in its final stages. The re-commissioning work is expected to be completed and the cavern fully operational by the end of October 2011.
- The construction of the GCAES building, thermal pond, piping and electrical interconnect have been completed.

  The site preparation for the installation of the Advanced System Prototype (ASP) Unit #1 is expected to be completed by end of November 2011.

Task 4

- The plan for 1000hrs of Proof of Concept ("POC") unit and ASP Unit#1 operation and endurance testing has been completed. POC testing is scheduled to begin the week of October 10, 2011.
- GC is currently preparing and calibrating the test lab in Massachusetts.
- GC has hired the project testing engineer who will execute the ASP#1 testing protocols. Assembly of ASP unit #1 has been initiated at the Texas site, including controls, platforms, switch gear, cables, stage 1 vessel, powertrain skids, motor skids, hydraulic and miscellaneous equipment. Full assembly of ASP Unit #1 is expected to be completed by late November, with operation commencing by January 1, 2012.

Task 5

- GC has hired ASP #2 design engineers and the SVP of Supply Chain.
- GC is conducting Pre-engineering design activity on ASP Unit #2, including Design for Manufacturability (DFM) activities.

Task 6

- GC has hired the SVP of Supply Chain and is ramping up the procurement team in preparation for Unit #2 procurement activities.
- GC has identified a Wind Turbine Engineering, Procurement and Construction ("EPC") firm and is negotiating a commercial agreement to supply and install a (3MW) Wind Turbine at or on the Gaines Project site.

Indicate which part of the Grant Activities as defined in the grant

Section II: Problems/Solutions

Problem(s) Identified: Report anticipated or unanticipated problem(s) encountered and its effect on the progress of the project

a) Confirming the timeline and process to permit (3MW) of Wind turbine(s) at the Gaines site before the May 2013 grant deadline.

Proposed Solution(s): Report any possible solution(s) to the problem(s) that were considered/encountered

a) Engage environmental consultant firm, URS of Austin TX, to initiate the permitting process, including a fatal flaw analysis. The result of this work would include a better understanding of the time and steps to permit (3MW) of Wind Turbines at the Gaines site.
b) Present a best and worst case timeline and suggest alternatives to TCEQ program management of exploring options for wind simulation, contracted wind, smaller than (3MW) of Wind Turbines or initiate another project location if the (3MW) Wind Turbine permitting process is determined to extend past the May 2013 deadline.

Action(s) Conducted and Results: Describe the action(s) taken to resolve the problem(s) and its effect

a) GC and COP have executed a statement of work with URS to conduct fatal flaw analysis and initiate the Wind Turbine permitting process to have a better understanding of the time to permit (3MW) of Wind Turbines at the Gaines site.

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

GC will submit task reports for Task 1, 2 and 3 with the proper documentation.

GC will respond to Jody Ibarguen's request to provide an update project timeline based on Wind Turbine permitting information received from URS' fatal flaw analysis, and highlight the best and worst case scenarios for the overall project complete date. This project schedule will include all salient steps to achieve grant goals including GCAES installation Unit #1 and Unit #2, the commissioning of the wind turbines on-site, and integration with the GCAES technology.

David Marcus ~ President — *Date*: October 10, 2011

Authorized Project Representative's Signature