

February 26, 2019
Matthew A. Beaton
Secretary of Energy and Environmental Affairs
Commonwealth of Massachusetts
100 Cambridge Street, Suite 900
Boston, MA 02115

RE: Offshore Wind Energy Procurement and the Economic Development
of the Southeastern Massachusetts Region

Dear Secretary Beaton:

We are a group of 47 public sector, business, and civic leaders in Southeastern Massachusetts who are increasingly concerned that the Commonwealth's approach to procuring offshore wind energy contracts will make it more difficult for our region to reach its full potential as a national leader in the industry.

Many of us have devoted considerable time, effort and political capital over the last several years to cultivate the development of the industry here in Southeastern Massachusetts. From the start, we have recognized that in an era in which major metropolitan areas like Boston are attracting the lion's share of investment capital in America, the offshore wind industry offers a rare, generational opportunity for our region, with its widely-recognized competitive advantages, to attract a new industry cluster and create well-paying jobs. Although we are excited that the offshore wind energy industry will help to lower the state's carbon emissions, and although we are pleased that competition in the first offshore wind energy procurement resulted in electricity rates that were significantly lower than anticipated, for us the effort has been primarily about economic opportunity and development.

As close observers of the offshore wind industry, we believe there is insufficient appreciation in Massachusetts for the clear-cut ambitions of other East Coast states. States from Virginia and Maryland to New Jersey and New York are all explicitly competing with the Commonwealth to successfully lure the offshore wind industry to their shores. We fear that complacency and undue confidence in Massachusetts today may cost the state dearly in the future, and result in missed opportunities for new jobs and investment.

At the same time, it is hard for some of us--given our persistent effort to cultivate the industry here in the region--to witness the establishment of headquarters and regional offices of major wind companies in Boston, in the absence of a serious effort by the Commonwealth to support its "Gateway Cities" policies to encourage such investment to happen here.

For the foreseeable future, states will compete against one another through the investment incentives they establish in their procurement processes for wind energy contracts. In some states, relatively modest procurements already have resulted in a stream of major investment commitments. For instance, as part of Deepwater Wind's 300 MW project with Connecticut, the company agreed to spend \$32 million in and around New London, including \$1.5 million in annual host community payments, major infrastructure upgrades, and workforce training commitments.

Right next door to us in Rhode Island, Governor Raimondo successfully secured \$40 million in port infrastructure commitments as part of Rhode Island's 400 MW award to Deepwater Wind. In Massachusetts, by contrast, Vineyard Wind's 800 MW project -- twice the size of Deepwater's Rhode Island project -- came with a \$12 million commitment for infrastructure and training. We can expect even larger economic development commitments in New York and New Jersey, which have created much larger procurement regimes that favor developers who commit to major direct investments.

The widely held view in our region is that the first Massachusetts procurement gave short shrift to the need for wind projects to include investment commitments. The problem was that in evaluating the proposals, the Department of Energy Resources assigned scant weight to an applicant's investment commitments. As set forth in DOER's Request for Proposals, the evaluation process was broken into three "stages," with the scoring of proposals taking place at the second stage. Seventy-five percent of an applicant's score was based on the price of electricity generated by the wind facility. The remaining twenty-five percent was based on a "qualitative analysis" of the bid according to five sets of criteria under the headings, "Siting, Permitting, and Project Schedule," "Reliability Benefits," "Benefits, Costs and Contract Risk," "Environmental Impacts from Siting," and "Economic Benefits."

Because the original RFP did not apportion weight among the five criteria, it is impossible to know with any confidence how much the economic development proposals mattered to the final outcome. In retrospect, no one should be surprised that this framework yielded an award to the applicant with the most competitive electricity price, and the most modest investment commitments. In our view, this result was inconsistent with the intent of the Energy Diversity Act of 2016.

With the next procurement just around the corner, and with an increasingly competitive developer market, the Commonwealth has an important opportunity before it to attract significant industry investment, without compromising on energy pricing. We believe that by amending the original RFP to clarify and elevate the value assigned to economic benefits, the process would yield investment commitments that will help to cement the industry's foundation in Massachusetts.

Specifically, we propose that the RFP for the last procurement be amended in the following ways, all of which are consistent with the Energy Diversity Act and the regulations promulgated in furtherance of the Act (23 CRM 23.00).

First, the economic benefits of the project should be evaluated in a separate step in the "qualitative analysis" to avoid the "mashed potatoes" problem in the first RFP, in which economic benefits were lumped in with criteria concerning a project's viability. That way the market will understand more clearly how investment commitments will factor into their bottom lines.

Second, because of the urgent need for Massachusetts to compete for direct industry investment, the value of "economic benefits" should be assigned not less than 15% of an applicant's total score. The other criteria concerning project viability would be assigned 10% of the total score. Although this split would still be less aggressive than that of New York, which assigns 20% of its evaluation to "New York Economic Benefits" and 10% to "Project Viability," it would be a step in the right direction. It is important to also note that such a change would not alter the weight assigned to price, which would remain at 75% of a bidder's total score.

Third, the RFP must state more clearly what types of investments matter. We propose that the RFP should set forth the following as the types of investments that would solidify the industry's presence here:

- (a) Specific dollar investments in public infrastructure in Massachusetts that would directly support the offshore industry;
- (b) Commitment to the leasing of port facilities in Massachusetts for project deployment;
- (c) Life-of-project leasing of in-state port facilities for operations and maintenance and "control room" siting, with preference for publicly-owned facilities;
- (d) Long-term financial commitments to support the establishment of in-state training facilities and marine environmental research facilities, and commitments to the use of those facilities;
- (e) Secured commitments to site manufacturing or assembly facilities in Massachusetts;
- (f) Commitment to site regional front offices, including those of project contractors, in Gateway Cities;
- (g) Commitment to local hiring and contracting;
- (h) Commitments to fund programs to enhance the profitability of commercial fishing businesses and ports affected by the construction and operation of wind projects; and
- (i) Commitments to programs supporting low-income ratepayers;

Fourth, to facilitate comparison between project submissions of different offer capacities, the total claimed expenditures and investments should be unitized by dividing each submission's total claimed investments by the offer capacity in the proposal. This language is adopted from New York's recent RFP, and would reconcile the potential disparity in claimed economic benefits between submissions of different scale, a problem that was overlooked in the first Massachusetts procurement.

Fifth, the "economic benefits" proposals should be scored in light of these criteria by a panel consisting of the Secretary of Energy and Environmental Affairs, the Secretary of Housing and Economic Development, and the CEO of the Massachusetts Clean Energy Center, or their designees.

In the growing competition among East Coast states for offshore wind industry investments, the time to act is now. We believe that the proposed amendments would not fundamentally alter the RFP, and yet would lead to the types of investments that would position Massachusetts as the industry leader in the long-run. Thank you for your consideration.

Sincerely,

Mayor Jon Mitchell
City of New Bedford

Rep. Patricia Haddad
Speaker Pro Tempore
5th Bristol District

Senator Michael Rodrigues
First Bristol & Plymouth District

Mayor Thomas Hoye
City of Taunton

Rep. Antonio F.D. Cabral
13th Bristol

Senator Mark Montigny
Second Bristol & Plymouth District

Rep. James Hawkins
2nd Bristol

Rep. Steve Howitt
4th Bristol

Rep. Carole Fiola
6th Bristol

Rep. Alan Silvia
7th Bristol

Rep. Paul Schmid
8th Bristol

Rep. Christopher Markey
9th Bristol

Rep. Christopher Hendricks
11th Bristol

Rep. Norman Orrall
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City Councillor Joseph Lopes
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City Councillor Ian Abreu
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John Vasconcellos President Community Foundation of Southeastern Mass.	Maureen Sylvia Armstrong President, CEO, and Owner Sylvia Group Insurance	Elizabeth Isherwood Chairman Greater NB Industrial Foundation
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Christopher Rezendes Founder and President INEX Advisors	Doug Glassman Owner SERVPRO of New Bedford	Jim Oliveria Executive Director MassHire Greater New Bedford Workforce Board
David Martin President HTP, Inc.	Quentin Ricciardi CEO Acorn Management	Amanda McMullen President and CEO New Bedford Whaling Museum
Scot Dubois Co-Founder Pidalia	Jennifer Downing Executive Director Leadership SouthCoast	David Cabral Five Star Companies Vice-Chair Greater NB Industrial Foundation
Michael Tavares General Manager Horatio's Inc.	Robert Mitchell R.A. Mitchell Company	

cc:

Governor Charles D. Baker, Jr.
 Lt. Governor Karyn Polito
 Attorney General Maura Healey
 Senate President Karen Spilka
 House Speaker Robert A. DeLeo
 Senator Michael Barrett, Chair, Joint Committee on Telecommunications & Energy
 Senator Eric Lesser, Chair, Joint Comm. on Econ. Development & Emerging Tech.
 Senator Marc. Pacheco, Chair, Senate Committee on Global Warming & Climate Change
 Rep. Thomas Golden, Chair, Joint Committee on Telecommunications & Energy
 Rep. Ann-Margaret Ferrante, Chair, Joint Comm. on Econ. Development & Emerging Tech.
 Rep. Michael Finn, Chair, House Committee on Global Warming & Climate Change
 Secretary Mike Kennealy, Executive Office of Housing and Economic Development
 Commissioner Judith Judson, Department of Energy Resources
 Steve Pike, CEO, Massachusetts Clean Energy Center
 Mark D. Marini, Secretary, Department of Public Utilities