

Q1. Please provide the following information with your comments:

a. Name of Organization

A1a. These comments are provided by Bay State Wind LLC and Revolution Wind LLC, two offshore wind development entities eligible to participate in Massachusetts' Section 83C offshore wind procurements.

Q2. Section 83C of Chapter 169 of the Acts of 2008 (“Section 83C”), as amended by Chapter 188 of the Acts of 2016, An Act to Promote Energy Diversity, allows the distribution companies to conduct one or more competitive solicitation through a staggered procurement schedule developed by the distribution companies and the Department of Energy Resources (“DOER”) with any subsequent solicitation occurring within 24 months of the previous solicitation. With respect to the next procurement, please respond to the following questions regarding the timetable:

- a. What are the advantages or disadvantages to issuing the subsequent solicitation prior to June 29, 2019 (“Subsequent Solicitation”)?

A2a. The Commonwealth should proceed with a Subsequent Solicitation prior to June 29, 2019.

Specifically, Bay State Wind and Revolution Wind propose a solicitation schedule that commences with issuance of the Subsequent Solicitation on or about April 1, 2019 and that allows bidders from 60-90 days following April 1 to submit responsive bids. The Subsequent Solicitation schedule should also entail awarded contracts being fully negotiated and submitted to the DPU for approval not later than September 1, 2019.

Issuing the Subsequent Solicitation before June 29, 2019 is in the interest of Massachusetts’ ratepayers and will benefit the Commonwealth in five key ways.

(1) ***Less cost to ratepayers, made possible by qualifying for expiring Federal tax incentives.*** The federal Investment Tax Credit (“ITC”) applicable to wind energy projects is expiring next year. Projects that demonstrate commencement of construction in 2019 are eligible to receive a 12% ITC. Absent a change in federal law, projects that commence construction after 2019 will not receive an ITC. Qualifying to receive the investment tax credit has a material impact on the price that an offshore wind farm can offer the ratepayers of Massachusetts. Therefore, we urge the Commonwealth to proceed with a procurement that will allow developers to qualify their projects for the 2019 ITC.

To qualify for the 2019 ITC using the IRS’s “safe harbor” method for establishing commencement of construction, developers must purchase equipment constituting at least 5% of the qualifying cost of the project by 12/31/19 and take delivery of the same shortly thereafter. While not all developers may rely on the safe harbor method, providing them the ability to do so will ensure Massachusetts’ ratepayers have access to the greatest selection of offers and the ability to choose from more competitive bids. Therefore, we urge the Commonwealth to implement a schedule that allows for the completion of the procurement process, including contract execution, by September 1.

Based on our experience, we estimate that vendors will require contracts to be completed and payments made by September 1, 2019 in order to satisfy the requirements outlined by the IRS through its released guidance to safe harbor a new project for 2019 ITC. If the Commonwealth does not time the Subsequent Solicitation sufficiently to allow offshore wind developers to qualify for the 2019 ITC, ratepayers would likely have to pay prices more than 10% higher than if projects did qualify for the 2019 ITC. It is important to emphasize this is the last opportunity to reduce costs from tax credits. Following 2019, the ITC is fully eliminated. Therefore, issuing the Subsequent Solicitation prior to June 29, 2019 (and awarding of the maximum amount of available capacity) will leverage the expiring benefits of the ITC.

(2) More jobs for Massachusetts workers, by securing commitments to develop a local supply chain. Offshore wind has the potential to be a major driver of job creation and economic development for the Commonwealth.

The competition for jobs between states is only expected to get more intense. New Jersey has already conducted a procurement of 1,100MW, with awards expected in mid-2019, and has committed to an additional 2,400MW of procurements in the coming years. Similarly, New York is conducting a procurement for 800MW, and has committed to an additional 1,600MW of procurements in the coming years. And, both Connecticut and Maryland are contemplating programs or legislation what would expand their offshore procurements by more than 1,000MW each.

All of these states are competing with Massachusetts for commitments to establish a local supply chain that will be used to build the American offshore wind industry. By leveraging the results of the previous solicitation with a large award in the Subsequent Solicitation, the Commonwealth will be positioned as a key player in the development of ports and other infrastructure required to serve the offshore industry beyond Massachusetts.

(3) Schedule certainty for delivering projects and meeting the Commonwealth's goals. The offshore wind industry is becoming capacity constrained globally, and federal regulatory agencies and tax equity investors are becoming capacity constrained in the US. Not only is Massachusetts in a competition with other states for the American offshore wind supply chain, it's also in competition with them for the capacity to supply wind turbines, the time and attention of federal regulatory staff needed to issue permits, the availability of ports and installation vessels and the appetite of tax equity investors. A delay in any one of these factors can delay an entire offshore wind project. An earlier procurement, together with carefully selection of the developer(s) with the most thorough plans, will allow Massachusetts to minimize the risk of delay in achieving its renewables development and emissions reduction goals.

(4) Allocation of optimal segments of available wind energy areas to Massachusetts. Developers are incentivized to prioritize development of the best segments of their lease areas and potential points of interconnection. Specifically, in order to secure early offtake developers will focus on providing the lowest levelized cost of energy (LCOE), enhanced reliability, and public acceptability. Should Massachusetts delay its procurement schedule, it runs the serious risk that the best portions of available lease areas will be dedicated to serve neighboring markets.

(5) Positive synergies with planned and approved projects. Releasing the solicitation sooner will allow already established projects to better utilize economies of scale, also saving customers money.

b. Does the BOEM lease sale, and any subsequent data collection at the newly leased sites, affect the potential timing of when proposals should be due under the Subsequent Solicitation?

A2b. It should not for the following reasons:

- Given the legislative requirement to conduct a Subsequent Solicitation with 24 months of an initial solicitation, the entire offshore wind industry has known that the Commonwealth will be conducting a solicitation by or before June 2019.
- Postponing the issuance of the RFP to the statutory deadline would not materially advance data collection, particularly for the new lease areas. Federal permitting of meteorological equipment alone can take several years, even before the first actual wind resource data is collected. This does not preclude new leaseholders from participating in the Subsequent Solicitation; while substantive on-site data is beneficial, it is not absolutely necessary to bid. Conversely, delay permanently negates the positive consequences of an earlier procurement noted in our response to question 2a.
- 60 to 90 days is sufficient time to prepare a winning bid. The Subsequent Solicitation should be substantively the same as the first solicitation so that all leaseholders will know the requirements.
- The companies that acquired the Massachusetts leases are each experienced developers with other offshore wind or onshore wind development projects in the region.

c. Once the Subsequent Solicitation is issued, please discuss the advantages and disadvantages of longer or shorter time-frames for responsive bids. Please be specific regarding the time periods you are discussing.

A2c. See our responses to questions 2a and 2b above. Specifically, an issuance of the Subsequent Solicitation in April will support a bid submission deadline in June. That 60-90 day bid development period is reasonable, especially if the information required in the response to the Subsequent Solicitation is substantially similar to the previous solicitation – i.e. developers know what to expect. That schedule allows for awarded contract(s) to be fully negotiated and submitted to the DPU for approval during September. The timing of the award(s) and contract execution by September 1, 2019 supports the many advantages described in our response to question 2a above (including maximizing the ITC benefit) and is the most important factor in delivering offshore wind to the Commonwealth at low costs, with high local content and a reliable schedule.

d. What are ways in which the Subsequent Solicitation could take advantage of the expiring federal Business Energy Investment Tax Credit (ITC)?

A2d. See our response to question 2a, above.

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e. What would be required in order for a potential bidder in the Subsequent Solicitation to secure the 2019 ITC?

A2e. See our response to question 2a, above.

f. What market conditions (technology, vessels, local supply chain, etc.) or ongoing data collection might necessitate a shorter or longer time period for proposal development prior to submission?

A2f. See our responses to questions 2a and 2b above.

g. Should the timing of offshore wind energy procurements in other states have any impact on the procurement timeline of the Subsequent Solicitation?

A2g. Yes, Massachusetts should consider the procurement schedule of other states and avoid overlap to the extent possible. Based on our current understanding of offshore wind solicitations in the Northeast, following the schedule outlined in our response to 2a will avoid a situation where Massachusetts' Subsequent Solicitation is running in parallel with another state's procurement. This is beneficial because it will allow developers to factor into their pricing the outcome of recent state procurements and avoid contingent pricing and any risk premium associated with the uncertain outcome of concurrent solicitations (which could happen if Massachusetts delays the Subsequent Solicitation). Further, the avoidance of a "boom and bust" procurement cycle that could result if multiple states conduct procurements simultaneously is also beneficial from a supply chain perspective as it will mitigate the risk of resource constraints that could result in higher prices.

Not only should Massachusetts avoid overlap with the procurement schedule of other states, but the Commonwealth should also maintain its leadership role in the Northeast by not delaying the Subsequent Solicitation. See our response to question 2a above regarding leveraging the Massachusetts local supply chain and related infrastructure to capture the benefits of the offshore wind industry beyond the Subsequent Solicitation.