

September 5, 2023

Submitted via email to austin.dawson@mass.gov

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Massachusetts Department of Energy Resources
100 Cambridge Street #1020
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RE: 83C Round 4 Indexation Adjustment: Request for Public Comment

Ocean Winds (OW) defers to SouthCoast Wind, our joint venture that is an active participant in this process, regarding the detailed questions posed in the RFI.

We would, however, address two overarching issues of great importance related to the RFI.

First, we would strongly suggest that interest rates be included in indexation formula. Offshore Wind projects are extremely capital intensive, even for the largest energy companies in the world, therefore external financing of project costs is essential to fund these projects. Unfortunately, it is extremely difficult to hedge interest rates in a project until the Financial Close milestone is achieved, resulting in developers taking significant exposure to interest rates. In the presently volatile macroeconomic environment, this could result in conservatism in proposals provided by developers resulting in higher ratepayer cost. Indexing prices to track such changes will be uniquely stabilizing to project economics.

Secondly, we would strongly encourage the drafting parties to revisit the question of timing and application of the indexation mechanism. The current paradigm (assumed in the RFI and presented in the RFP) will result in less mature projects including a substantial risk premium in their bids to protect themselves against the exposure to the changes in commodity and component prices, and interest rates in the period between "a year after DPU approval" and when they are able to lock in such costs as they approach Financial Close. We would suggest that the right moment for application of the Index is a month prior to Financial Close, a calculation that would be made retrospectively. Applying the index at that time would strike a balance between reducing the risk that projects face and prudently protecting the interests of customers while meet the climate and clean energy goals of the Commonwealth.

Thank you for the opportunity to submit these comments.

Sincerely,

A handwritten signature in blue ink, appearing to be "MB", with a horizontal line underneath.

Michael Brown
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