

April 2, 2021

Mark D. Marini, Secretary
Department of Public Utilities
One South Station, 5th Floor
Boston, MA 02110

Re: Responding Comments to *Joint Petition of Fitchburg Gas and Electric Light Company d/b/a Unitil, Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid, and, NSTAR Electric Company d/b/a Eversource Energy for approval of a proposed timetable and method for the solicitation and execution of long-term contracts for offshore wind energy generation, D.P.U. 21-40*

Dear Secretary Marini:

We are a group of public sector, business, and civic leaders in Southeastern Massachusetts who continue to be 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. We offer the following comments to the draft RFP and the Initial Comments submitted last week.

The Current RFP Repeats the Mistakes of the Past

We have written previously about the state's wind energy procurement process, and how it has yielded little in the way of permanent industry investment in Southeastern Massachusetts. As articulated by the Attorney General in her Initial Comments, the current proposed Request for Proposals for Long-Term Contracts for Offshore Wind Energy Projects, despite modest improvements, essentially repeats the mistakes of the first two solicitations. The root of the problem is the Commonwealth's continued insistence on obscuring the value of economic benefits in the evaluation of project proposals, coupled with its leaving the evaluation of economic benefits entirely in the hands of the state's utilities. As the developers themselves explicitly noted in their comments to the draft RFP, the net effect again will likely be an award based almost exclusively on price, and the continued capturing of still more industry investment by East Coast states that have been more eager to compete for it.

Our frustration is based on our intensely felt recognition that attracting capital to formerly industrial cities that are not part of a major metropolitan area is inherently difficult. In America's winner-takes-all economy of the last twenty years, in which so-called "superstar" cities like Boston have pulled in the lion's share of the country's investment capital, the offshore wind industry offers a rare opportunity for our region to expand its economic base. With its close proximity to wind energy areas, maritime workforce, and high-functioning port infrastructure, Southeastern Massachusetts is naturally suited to attract a wind industry cluster and the well-paying jobs that would come with it.

Many of us have worked for most of the last decade to cultivate the industry's interest in our region, and we are proud that our early work laid the foundation for industry's acceptance across Massachusetts and beyond. Although we are excited that the industry will help to lower America's carbon emissions, our effort has been primarily about economic development. So it has been troubling for us to witness the establishment of headquarters and regional offices of major wind companies in Boston.

We fear that the DOER's tweaks of the previous RFP will not meaningfully change the outcome. As the Attorney General notes, "The Proposed RFP's evaluation protocol, including the failure to disclose the relative value that evaluators will place on each of the Proposed RFP's required commitments, may result in missed opportunities for the Commonwealth." See AGO's Initial Comments at 5-6. We couldn't agree more, and we fear that the developers, not knowing the actual value assigned to economic benefits, will again submit alternate bids, and the utilities again will select one that is light on investment commitments. Unless the utilities are required to disclose how they will score economic benefits, our region could lose out again.

The Types of Investments That Matter

Nevertheless, we will play our hand. To the extent that the developers will propose investments that purport to deliver "economic benefits" in the upcoming solicitation, we write to make clear our collective views about which types of investments are worthy of credit in the evaluation process, and which are not. As a starting point in the analysis, all of the proposals should be evaluated against the legislature's primary economic development objective of the Act to Promote Energy Diversity, which was to create a leading industry cluster centered in Southeastern Massachusetts that benefited the entire state. Encouraging commitments to specific long-term investments that lead to the industry's setting down roots in this region, therefore, is the name of the game.¹

We also believe that certain long-term commitments should be treated as basic requirements for all bids. Given the potential magnitude of the current procurement, bidders should be expected – at a minimum – to commit to staging their projects and basing their operations and maintenance hubs in Southeastern Massachusetts. We believe that a proposal without such commitments should not be considered credible, and its "economic benefits" score should reflect as much. The same can be said for the Commonwealth's requirement that bidders submit a "diversity, equity and inclusion plan" for hiring and contracting. The requirement is of

¹ It is difficult to make sense of the Commonwealth's addition of "short term" investments in the economic benefits section, much less in the same sentence as a reference to "long term" investments. Some level of "short term" benefits will be achieved in the deployment period, no matter which proposal is selected, but they won't necessarily lead to a sustainable industry cluster. In the Question and Answer phase of the procurement process, the Commonwealth should clarify that long-term benefits, all else being equal, are preferred over short term benefits.

course appropriate, but developers and their vendors should not be rewarded for something they should have in place anyway. A commitment to inclusive corporate practices should not be treated as a substitute for long-term, hard dollar investments in places where underserved populations live.

Above these minimum requirements, the scoring of economic benefits should reflect the real differences among investment commitments. In the last two solicitations, the mandatory post hoc review of the process revealed that the evaluations focused on the narrow question of whether the winning project would confer economic benefits to Massachusetts. This binary analysis is inconsistent with the language of the RFP itself, which requires a “relative ranking and scoring of all proposals.” See RFP, ¶ 2.3. By definition, this means that investment proposals must be compared against one another based on factors that speak to the breadth and permanence of the economic benefits they might confer. Chief among these factors should be the size of the proposed investment, the number and quality of the permanent jobs to be created, and the extent to which it will attract other private capital to the industry cluster. For example, a commitment to open a turbine factory would score highly in all of these dimensions, whereas the creation of an industry internship program for high school students, though laudable, would not.²

The most quantifiable long-term investments are those in which a specific dollar amount is committed, such as hard dollar commitments to construct or upgrade port infrastructure or to award grants for business accelerators or applied research. Comparing the amounts committed to such investments by each bidder is relatively straightforward, that is, in general, the larger the funding commitment, the higher the score. But like any proposed investment, the proposals must be evaluated based on their projected returns. The devil may be in the details, as the full return on any given investment may not be fully realized for many years, and the return may not be readily characterized in monetary terms. For this reason, the bidders should bear the burden of demonstrating how their proposed investments would create permanent, well-paying jobs, add to the local tax base, attract other investment, and otherwise help to build an industry cluster.³

It should be noted that some long-term commitments may have little or no discernable impact on the price to be offered to rate payers. For instance, a commitment to train O & M technicians over the life of the project at a training institution in our region would not necessarily demand more from ratepayers, but might confer significant benefits. The technicians after all

² The score of any investment commitment should be discounted to the extent that there is a basis to doubt the bidder’s ability to follow through on the commitment.

³ We note also that the Commonwealth has insisted that hard dollar commitments pose a zero-sum proposition, that is, the larger they are, the higher the proposed electricity rates will be. While this notion has not been accepted by our competitor states, if the bidders aren’t paying for the infrastructure Massachusetts needs to compete, the public sector will have to bear that responsibility.

must be trained somewhere. The same logic applies to the permanent siting of business facilities in our region. After two rounds of solicitations, none of the wind developers or their vendors have set up permanent business sites in our region, while all of the developers and several major OEM's have established their front offices in Boston. If state government is truly committed to supporting the efforts of every region of Massachusetts to lift itself up, it should not allow our region to be treated as a mere service dock for offshore wind companies based in Boston. In our view, the degree of commitment to establish permanent private sector enterprises, the number and quality of the jobs associated with them, and their ability to attract follow-on investment, should be the yard stick on which proposals should be ranked.

Finally, the evaluation of the investment proposals cannot be left exclusively to the utilities, which are not in the business of cultivating economic development, and do not have a lens into the types of commitments that really matter. We have made this argument before, and we note that the climate legislation enacted just last week establishes a formal role for the Executive Secretary of Housing and Economic Development in reviewing bid submissions, reflecting the legislature's reservations about the utilities' ability to fairly evaluate investment commitments.

We urge the administration to adopt this requirement as part of the procurement process – regardless of whether the new legislation applies to the current RFP. The Secretary of HED's scoring should reflect the real differences among proposals, as outlined above. It also should be binding on the overall evaluation, as opposed to being mere advisory. After the award is announced, the Secretary's evaluations should be made public. Anything less would fall short of what the legislature intended, and further undermine the Commonwealth's ability to attract investment.

We in Massachusetts have a short window to capture industry investment, and the stakes are highest in our region. Securing long term industry investments in this next solicitation is critical to making that happen. Thank you for your consideration.

Sincerely,

Mayor Jon Mitchell
City of New Bedford

Mayor Paul Coogan
City of Fall River

Rep. James Hawkins
2nd Bristol

Rep. Carol Doherty
3rd Bristol

Rep. Patricia Haddad
5th Bristol

Rep. Paul Schmid
8th Bristol

Rep. Christopher Hendricks
11th Bristol

Rep. Antonio F.D. Cabral
13th Bristol

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Patricia Lareau Commissioner New Bedford Port Authority	James Oliveira Commissioner New Bedford Port Authority	Joseph Tavares Commissioner New Bedford Port Authority
Anthony Sapienza President New Bedford Economic Development Council	Patrick Murray President & CEO Bristol County Savings Bank	Maureen Sylvia Armstrong Managing Partner Sylvia Group
Rick Kidder CO-CEO One SouthCoast Chamber of Commerce	John Vasconcellos President Southcoast Community Foundation	Joe Bahena Senior Vice President Joseph Abboud
Rosemary Gill Executive Director Zeiterion Performing Arts Center	Peter Muise Retired, President & CEO First Citizens Federal Credit Union	Elizabeth Isherwood Chairman/President New Bedford Industrial Foundation
Don Rudnick Retired, Owner Nameplates for Industry	Sarah Athanas Co-Founder Groundwork	Helena DaSilva Hughes Executive Director Immigrant Assistance Center
Christopher Rezendes Founder and President INEX Advisors	Jeff Pontiff Owner E J Pontiff Real Estate	Maria Rosario Executive Director NorthStar Learning Center
Jeff Glassman President Darn It!, Inc	Quentin Ricciardi CEO Acorn Management	Paul Chasse CEO Realtor Association of Southeastern Massachusetts
Adam Cove CEO Edson International	David Wechsler President & CEO Maritime International	Keith Decker CEO & President Blue Harvest Fisheries

Gail Fortes
Executive Director
YWCA of Southeastern
Massachusetts

Liz Wiley
Executive Director
Marion Institute

Rontell Grant
Owner & CEO, Agent/Manager
Lite Weights Fitness
Kerry Horan Real Estate

Steve Silverstein
Founder & CEO
Servedwell Hospitality

Stephen Neuger
Senior Director of
Engineering
AHEAD, LLC

David Cabral
Owner
Five Star Companies

Doug Glassman
Owner
SERVPRO of Dartmouth/New
Bedford/Fall
River/Marion/Middleboro

David Wechsler
President & CEO
Maritime International

Keith Decker
CEO & President
Blue Harvest Fisheries

Margarita Graham
President/CEO
Reliable Bus Lines, Inc.

John G. Andrade
Manager
Old Bedford Village
Development, Inc.

cc:

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