RE: Offshore Wind Update (6/8/2020)

By Dave Stevenson, Director
Center for Energy & Environment Policy
Caesar Rodney Institute

Dear Concerned Homeowner,

We want to thank you again for your interest and continued support in protecting our state parks from industrial style developments, and our beach views from too close, industrial scale offshore wind developments.

Below is a status report on our three pronged strategy to oppose such developments. The Caesar Rodney Institute (CRI) continues to lead the opposition effort. **Two key updates are discussed in more detail below:**

- **The Maryland Public Service Commission is holding hearings on allowing the switch to taller turbines**
- **The state of Delaware has refused to answer our Freedom of Information Act request for a copy of the state park survey results until 15 days after the COVID-19 State of Emergency ends**

Protecting Fenwick Island State Park

No decision has been made yet by Delaware Governor, John Carney, on signing the agreement with wind project developer Ørsted to bring power ashore at the park. *As a reminder, the state parks division signed a preliminary confidential agreement to allow power to be brought ashore in two stages resulting in at least 2 acres of electric substations at Fenwick Island State Park. Our analysis suggests this could grow to as much as 8 acres when both proposed offshore leases are filled out.* Additionally, the substations would be 60-70 feet in height and several hundred feet long! Signing the final agreement was to follow the receipt of public comments. The public comment period was extended several times to the end of January as more people showed concern about the project.

The state of Delaware has still not released the public comments, though at one point it was announced the total had reached over 2,500. CRI's Freedom of Information Act request for copies of the public comments has been delayed until 15 days after the COVID-19 State of Emergency is lifted. The Governor just extended the State of Emergency until July 15. The basis for our concern is that the agreement with Ørsted had been worked on in secrecy for about 1 year leading to the confidential agreement which was signed in July 2019. No legislators knew of the agreement until September 2019 and then they were asked to keep the agreement a secret. Even after the public release of the plan for Fenwick Island State Park, the parks division only talked about the first acre of substation development.

CRI, park neighbors, and the Fenwick Island town council broke the secrecy in October 2019 with a publicity campaign that led to a public hearing at the Indian River High School, along with meetings with local, county, and state officials, and a widespread public discussion. *At the packed High School meeting, Secretary Shawn Garvin stated the final decision on the Orsted agreement would be made by the Governor.*

We recommend continued pressure be placed on Delaware Governor, John Carney. A survey mailed to 35,000 property owners from Fenwick Island to Rehoboth Beach resulted in about 1,400 responses with 84% opposed to electric transmission coming to the park, and the construction of visible wind turbines off the coast.

State Senators and Representatives in Sussex County support our efforts to protect our beach view with the exception of one Representative and Speaker of the House, Peter Schwartzkopf. He is of the opinion Delaware has no power to stop or change the project as it is in federal waters, and was approved and subsidized by Maryland electric customers.

The truth of the matter is the offshore wind projects cannot move forward without a place to bring the power ashore. It was supposed to come ashore either in Ocean City, MD or through the Indian River Inlet to a power plant in Millsboro, DE. The U. S. Army Corp has shut down the inlet idea as a shipping hazard and Ocean City, MD is refusing to allow power ashore unless the turbines are moved out of sight-further offshore.

If Delaware Governor, John Carney doesn't sign the agreement with Ørsted, then the wind project developer will have to accommodate Ocean City, MD's request to move the turbines out of sight-further offshore. This removes our concerns with disturbing the state park and having visible turbines off our coast.

NOTE: Ocean City, MD has two existing substations they can already use for this offshore wind project. *Ørsted has offered $18 million to Delaware state parks division to bring power ashore here. That is just about the extra amount it would cost for the longer cable to get to the existing substations.*

Reconsideration by the Maryland Public Service Commission

The projects were approved by the Maryland Public Service Commission (MD PSC) following state legislative mandates. The Ørsted "Skipjack" project off the coast of Delaware and the U.S. Wind project off the coast of Ocean City, MD will cost about $2 billion dollars. They will receive about $3.6 billion in subsidies from Maryland electric customers, and $0.6 billion in federal tax credits.

Both projects are considering using larger wind turbines than originally proposed, up to 853 feet tall. That is the equivalent of moving the turbines 5 miles closer to shore than originally proposed. In approving the projects the MD PSC stated the developers needed to do what they could to reduce visibility, especially at night when highly visible airplane warning lights flash. Larger turbines do not meet the intent of that requirement.

Several studies found homeowners would sell their homes and tourists would stop coming to beaches with visible turbines. Just a 1% loss of Delaware and Maryland beach tourism over the 20 year contract would cost about $1 billion in today's value. In addition, larger turbines require fewer turbines resulting in cost savings. *CRI estimates a renegotiation of the subsidies could save Maryland electric customers $1 billion based on recent offshore wind lease bids with larger turbines.*

CRI joined about 1,400 people at a MD PSC hearing in Ocean City, MD this past January urging the MD PSC to re-open the approval case to discuss these issues. CRI comments were the only ones regarding specific estimates of the potential savings to electric customers. The MD PSC has since agreed to re-open the case, with the added limit no hearing will be held until the developers have their federal permits.

The Maryland Public Service Commission (PSC) evidentiary hearing on allowing the Orsted Skipjack project to use taller 12 megawatt turbines was held June 4 and 5. Post hearing comments from the intervening parties are due July 15 when the PSC is expected to vote on the issue. Testimony on potential economic damage from the taller turbines from a NC State researcher, and the potential for renegotiating the tariff price to a lower consumer cost target from the Maryland Office of the People's Council were disallowed. The expert witness for Ocean City stated he does not expect a significant difference in the visual impact of the larger turbines basically ensuring the PSC will approve the larger turbines.

Federal permitting issues

The offshore leases are managed by the Bureau of Ocean Energy Management (BOEM), a division of the U.S. Interior Department. It appears the original lease offerings were determined hastily without full consideration of the impacts on shipping, the environment, commercial fishing, geology, migratory birds and fish, radar, or beach tourism. The leases did not come with conditions about turbine size, or with pre-approved landing sites for the power.

Consequently, there has been heavy opposition to proposed developments by beach communities: the Coast Guard, the Defense Department, the Federal Aviation Administration, and the U.S. Marine Fisheries Service. *There were also different standards used in different lease areas. Viewsheds were considered off Kitty Hawk National Park, but not elsewhere. Defense considerations impacted the lease off Virginia Beach, but not elsewhere. Public opposition and lawsuits ended the first major proposed project near Cape Cod, MA.*

Last August, Interior Secretary David Bernhardt ordered a "cumulative effect" review of the Ørsted Vineyard Wind project off the coast of Massachusetts which was nearing completion of its federal permit review. This expands the permit review to look at a wide range of topics including the impact of numerous wind projects off the east coast.

The result is a major delay in federal permitting. The U.S. Wind just sent notice to the MD PSC saying they expect to delay their project start from 2021/2022 to December 2024, and now Ørsted formally notified the PSC they may not start construction on the Skipjack project until the end of 2023. *This delay allows ample time to apply for an alternate lease area further off the coast. A petition from now defunct Blue Water Wind took just two and half years from start to finish.*

CRI is one of the founders of a working group of similar state policy think tanks and is invited to periodic senior level reviews at several U.S. agencies, including the Interior Department. *At a December review with Secretary Bernhardt, CRI provided a plan to reform the way offshore leases are developed, along with hard data on how these leases are impacting coastal communities*. That report was forwarded to BOEM by the Secretary for consideration.

Other Issues

Other developments are occurring that can impact the future of offshore wind.

The Federal Energy Regulatory Commission has ordered our electric grid coordinator, PJM Interconnection, to change the way it conducts capacity auctions.

Power plants bid 3 years in advance to stay open and are paid a monthly fee if they win the bid. The fee often equals up to a third of the plant's revenue. *The new rule effectively excludes power plants from bidding if they receive state subsidies. This rule would exclude the offshore wind projects from bidding. This was a key part of the economics used to justify the two Maryland projects, so the case for development may fall apart.*

The offshore projects also counted on receiving a 30% federal Investment Tax Credit (ITC). The ITC drops to 22% this year, 14% in 2021, and to 10% by 2022. An extended delay in the wind projects could cause the projects to fail if they only receive the lower tax credits.

Another key assumption was the capacity factor of the turbines, how frequently they will produce power. Ørsted recently admitted to investors they have been overestimating capacity factors by about 2%. This adds to the pressure the project will lose money.

Conclusion

Our efforts are showing a lot of progress, but no final victory is ensured. Continuing to work together is our best assurance of a positive result. It is clear moving the projects out of sight- further offshore offers the clearest path to a win-win solution for all concerned.

Please continue your contacts with Delaware Governor Carney, local beach town officials, and Speaker of the House Schwartzkopf-**their emails are on the back page!**

Please also consider further donations to support these efforts.

Thank You!

Save Our Beach View Team

TAKE ACTION NOW AND SEND YOUR EMAIL!

- Delaware Governor John Carney: **Governor.Carney@delaware.gov**
- Speaker of the House Peter Schwartzkopf: **Peter.Schwartzkopf@delaware.gov**

You can also visit the *Delmarva State Park Conservation Alliance* website to easily email the "Decision Makers":
https://www.delmarvaconservation.com/?fbclid=IwAR07poq8BID9kzvDW8sfVnNv6QBGfp5_sDoUpSxku4AnRZ7Pys65ptwr6u0