



**Business Network for
Maryland Offshore Wind**

Offshore Wind = Onshore Jobs

September 4, 2013

Mr. Tommy Beaudreau, Director
Bureau of Ocean Energy Management (BOEM)
U.S. Department of the Interior
1849 C Street, NW
Washington, DC 20240

Dear Director Beaudreau:

We are writing to you as the Business Network for Maryland Offshore Wind (BizMDOSW), a group of 140 Maryland businesses and other stakeholders who share an interest in developing Maryland's offshore wind farm. Our membership is comprised of marine technology companies, tug boat operators, steel fabricators, geophysical firms, developers, and academic institutions, as well as a wide variety of small and large Maryland firms that stand to benefit from the growth of this industry. We have been active in the passage of the recent Maryland Offshore Wind Energy Act of 2013. Currently our members are working to develop a supply chain to support future wind farm development and operation.

We understand BOEM has recommended further reduction of the Maryland's Wind Energy Area (WEA) based on its final legal review prior to the imminent publication of a Proposed Sale Notice in the Federal Register. This reduction represents a loss of an additional 20 percent from the area previously recommended through the BOEM stakeholder process, and publicized. We understand that this reduction is based a recommendation by US Coast Guard (USCG) Rear Admiral Ratti, which he derived from the not yet complete Atlantic Coast Port Access Route Study (ACPARS) Interim Report dated July 13, 2013. BizMDOSW's position is that a reduction in the MD WEA, without further input from stakeholders, is premature. In fact, USCG acknowledged in its ACPARS interim report and follow-up presentation, that the study was incomplete and that the final report will not be available for some time. BizMDOSW's view is that if BOEM's reduction is implemented, the resulting lease areas will not attract sufficient developer interest, as the economics of the project will be negatively impacted. BOEM's own regulations state that lease areas must be sufficient to accommodate the anticipated activities.

In addition to Maryland's WEA, the ACPARS interim report found navigational conflicts in the WEAs of Virginia, Delaware, and New Jersey. However, only Maryland's WEA is being targeted for further reduction, despite its being the smallest of all the WEA's *before* BOEM's proposed reduction, and despite having already been reduced significantly from its original,

proposed size. This puts the state of Maryland at a distinct disadvantage relative to its neighboring states. We respectfully request that BOEM's proposal for a reduced WEA be removed from the surnaming process, and that MD's WEA remain at the agreed upon and published size.

We have also reviewed the correspondence between Governor O'Malley, the Maryland Energy Administration and USCG Rear Admiral Ratti. We understand and agree with Rear Admiral Ratti's objective of protecting the shipping lanes from encroachment. The shipping lanes through this area are of great economic value to the State of Maryland. The offshore wind industry's priority is health and safety and we concur that the safety of the shipping lanes is paramount. However, it is our position that tug and barge traffic can co-exist without compromising the economic value of the offshore wind farm. Tugs and barges co-exist not only with European offshore wind farms, but with offshore oil & gas platforms in the Gulf of Mexico. There are about 4,000 such platforms in the Gulf of Mexico and there is significant tug and barge shipping activity as well as frequent transits by deep draft vessels. We further note that navigational safety may even be enhanced by the addition of an offshore wind farm since sensors on these structures can provide additional maritime situational awareness, and the operation and maintenance vessels working in the wind farm can provide a rapid response to local distress calls.

Typical tug-barge draft is less than 20 feet (3.5 fathoms) and this allows tug-barge traffic to take a route inshore of the MD WEA when leaving Delaware Bay. As shown in Figure 1 (see Appendix) provided by the USCG in Rear Admiral Ratti's April 18, 2013 letter to Governor O'Malley, the majority of the tug-barge tracks heading south from Delaware Bay take tracks that are inshore of the Maryland WEA. The deep draft vessels transit through the Traffic Separation Scheme that is accommodated by the MD and DE WEAs. In both cases, there are clear traffic lanes that do not disrupt shipping coming in and out of the Delaware Bay.

As also shown in Figure 1 (see Appendix), the offshore north-south coastwise tug-barge routes will be impacted by the NJ, DE, and MD WEAs. The presence of all three WEAs will have a minor impact on these routes with tug-barges routes being displaced to the East. We believe that this is a reasonable accommodation given the significant economic value of the three WEAs. Reduction of only the MD WEA makes no sense as the NJ and DE WEAs have already shifted tug-barge routes to the east.

In summary, Figures 1, 2, and 4 (See Appendix), taken from Rear Admiral Ratti's letter do not support a reduction in the MD WEA. These figures illustrate the basis for the Rear Admiral's conclusion that "deep draft" and tug-barge vessels would need to be rerouted if MD's WEA is not reduced, resulting in extra time and fuel expense being incurred by shippers. BizMDOSW's position is that the basis for reducing MD's WEA reflected in Rear Admiral Ratti's letter is not relevant to the proposed reduction for the following reasons.

First, the majority of traffic near the MD WEA is northbound as shown in Figure 1 (See Appendix) and is not impacted by the present configuration of the Maryland WEA. Most southbound deep draft shipping exits the Bay at Norfolk. Any deep draft shipping exiting

Delaware Bay for Europe would continue to have appropriate departure lanes. Sufficient depth for deep draft shipping may be a concern with the NJ's or DE's WEA but it does not seem to be relevant to the MD WEA as presently configured.

Second, Real Admiral Ratti's primary concern seems to be centered on the idea that the coastwise barge and tug traffic might need to be rerouted approximately 12 miles to the east to avoid the wind farm, and the concern that this might take them further offshore where wave conditions are more severe. Such rerouting is already necessary, as shown in Figure 1 (See Appendix), due to the NJ's and DE's WEAs. If operators judge that the more exposed route is dangerous to their vessels, they have the option of running inside the WEAs of NJ, DE, and MD. A workable solution was proposed in Figure 13 (See Appendix) of the interim report.

Third, since the MD site plan has not been developed, it is premature to determine if the effect on vessel routes is a legitimate concern. The navigational routes will be better determined in the context of a comprehensive Environmental Impact Statement process done in response to an actual project proposal. The USCG itself stated in task force proceedings the following: "Complete EIS prior to approval of COP, including a full navigational safety risk assessment in a format that addresses cumulative impacts." This is also the point in time when project developers agree that navigation conflicts should be addressed -- not prior to the lease-bid auction, as proposed by USCG.

If the coastwise north-south routes are followed by the tug-barge traffic, which does not seem necessary in light of their shallower drafts, the additional transit distance is on the order of 12 nautical miles in adverse weather. This is approximately one hour of transit time. Given the 491 tug-barge transits in 2009, assuming a 3,000 hp average tug, and assuming that all transits were in adverse weather, this equates to approximately \$2.5M in additional fuel cost as shown in the Table below. Actual values will be lower.

491	tug-barge transits		
12	additional miles	5,892	miles per year
3000	hp ave tow	17,676,000	hp-hr/year
0.35	lbs/hp-hr	6,186,600	lbs of fuel per year
7.25	lbs/gallon	853,324	gallons/year
\$3.00	per gallon	\$2,559,972	dollars per year

The annual value of 1 gigawatt of electric power estimated to be generated by the wind farm under its present configuration, at \$.12 per kw-hr, is \$1.05 B. On an economic basis, it is worthwhile to reroute, if necessary, tug-barge traffic around the farm.

Fourth, vessel transits other than deep draft and tug-barge are easily rerouted around the farm. Many of these transits are yachts or commercial vessels that do not regularly ply this route. It is not an economic hardship for these vessels to transit the additional 12 nautical miles if their drafts are greater than the inshore route allows.

In our opinion, the homeland security benefits of the wind farm have not been fully taken into account in the ACPARS. The wind farm, and particularly the substation structures, will provide the USCG with remote monitoring sites that can be used to manage traffic in and out of the Delaware Bay. While the Automated Information System (AIS) transponders on ships provide position data, these can be turned off or can broadcast false information. The proximity of the wind farm to the shipping lanes allows the USCG to mount radar, and electro-optic / infrared (EOIR) systems that can be used to remotely monitor incoming vessels. This is important to Homeland Security. Proximity may also be sufficient to do radiation monitoring. In simple terms, the longer the wind farm is parallel to the shipping lanes, the better look the Coast Guard gets at inbound international shipping.

In closing, in order for the offshore wind industry to develop in the United States, there must be certainty and transparency in the leasing process. The business community has been basing its forward projections upon the published MD WEA dimensions. BOEM created a process through its stakeholder task force meetings and should not depart from the process and agreed benchmarks. The business community is already moving forward based upon the published size of MD's WEA. It is extremely important that the MD WEA leasing process remain open, transparent and consistent with agreed upon conventions – in this case the BOEM stakeholder process -- so that the business community can plan ahead with certainty.

The current proposal to reduce the MD WEA has been moving forward in the surnaming process and outside of the task force. BizMDOSW's view is that the Federal government should adhere to its own marine spatial planning process and implement policies that foster the co-existence of industries and shared utilization of our nation's ocean resource to the benefit of the states, their businesses, and citizens. Every reduction in the WEA reduces the economics of wind farm development, as well as job creation potential for Marylanders immediately and in the future. This is a crucial time in the American economy's turn-around. The Obama Administration has repeatedly emphasized the importance of green jobs and careers in the new green economy. Reversal of BOEM's decision to reduce MD's WEA is consistent with this objective.

Through a long series of compromises, Maryland has already seen the size of its WEA reduced to the smallest of any WEA, barely enough to reach the state's renewable goals of Phase I deployment of up to 1,000 MW of offshore wind energy. This is an important goal of the state for its citizens and for its businesses. Our state's renewable energy goal (20% by 2022) is being unnecessarily compromised by a premature reduction in the size of the WEA.

The U.S. East Coast offshore wind energy resources have the potential to provide clean, sustainable electric power to meet most of the total demand in the region from Maine to Florida. It is vital to our nation's future economic security and environmental health that we all work toward development of this resource in a timely, responsible and efficient manner. The citizens and business community of Maryland are dedicated to realizing this goal through our support for building one of the first offshore wind farms along the Atlantic coast.

Mr. Tommy Beaudreau, Director
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We appreciate your attention and we would like to request a meeting with you to present our concerns to you in person. We will be in contact with your office to schedule a meeting.

Sincerely,

The Business Network for Maryland Offshore Wind



By: Liz Burdock
Executive Director

cc: The Honorable Martin O'Malley, Governor of Maryland
Director Abigail Ross Hopper, Maryland Energy Administration

APPENDIX
Figure 1

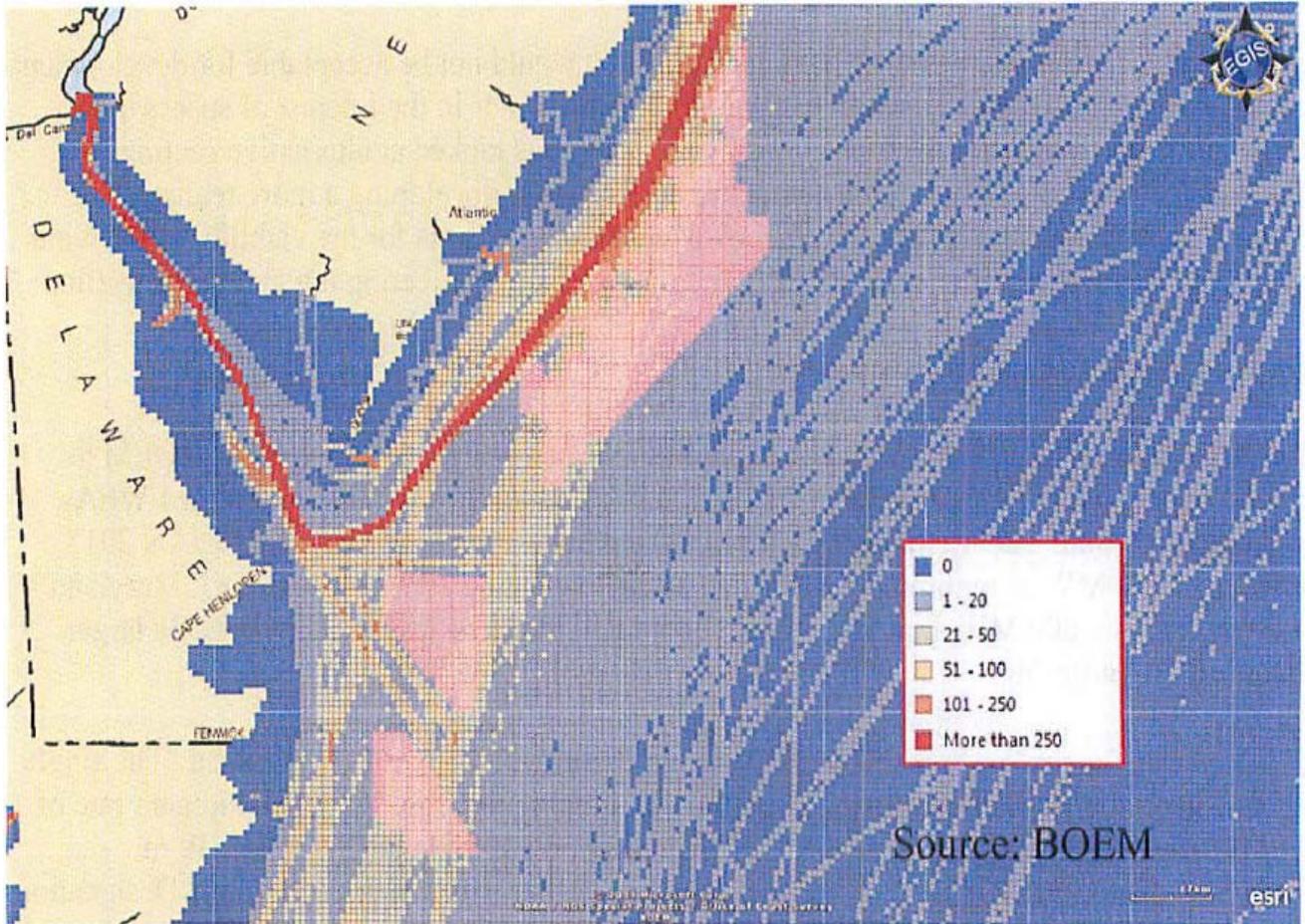


Figure 1: 2010 Density Plot of Tug and Barge Routes through NJ, DE and MD WEAs

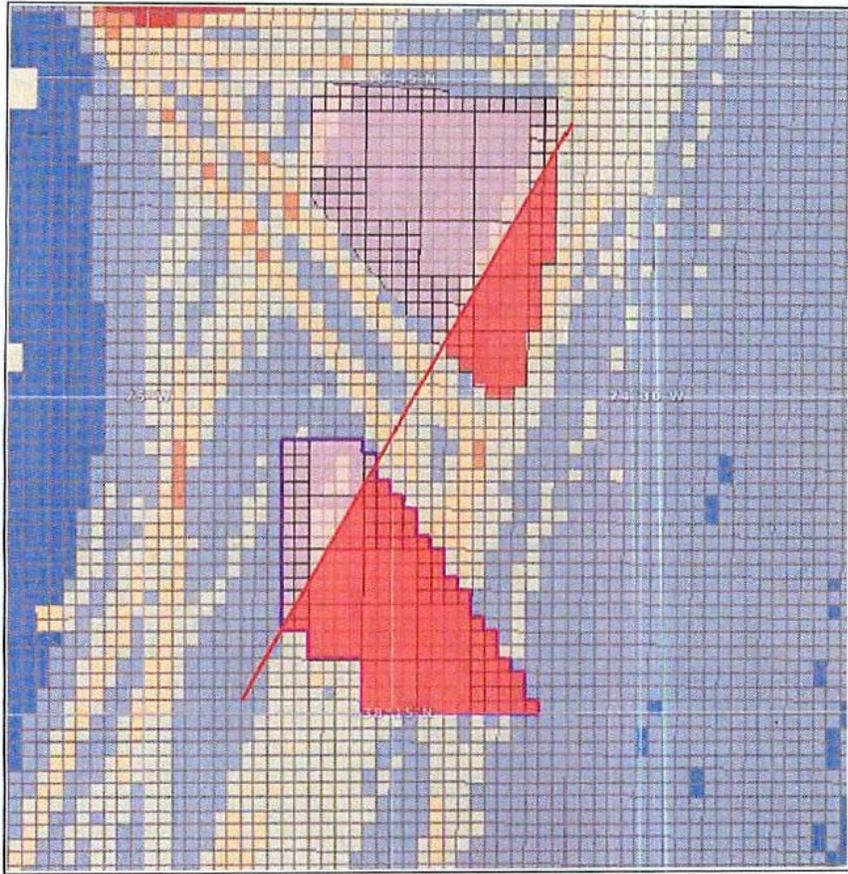


Figure 2: Representation of DE and MD WEAs if existing Tug and Barge were preserved

Figure 4

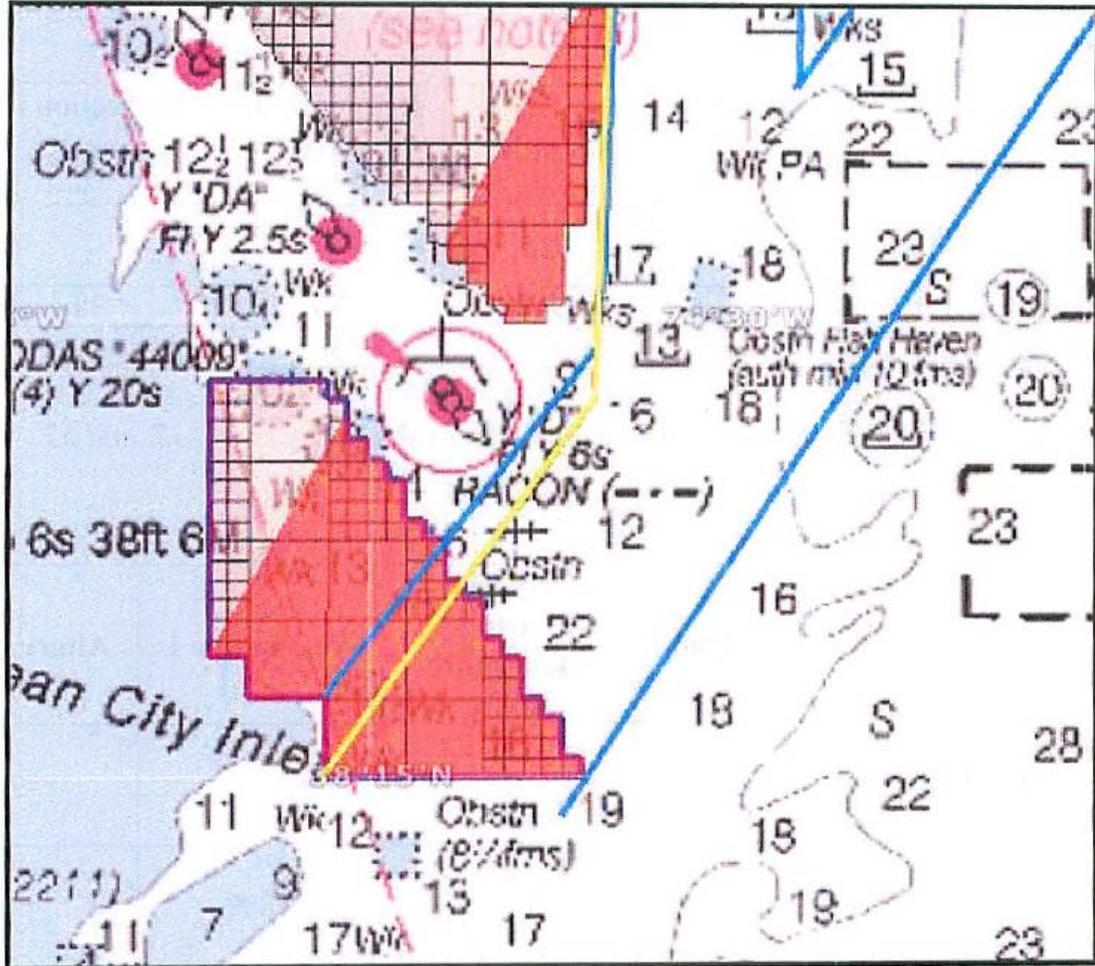


Figure 4: Alternative routing scenario #2

Figure 13 from Appendix III ACPARS Report

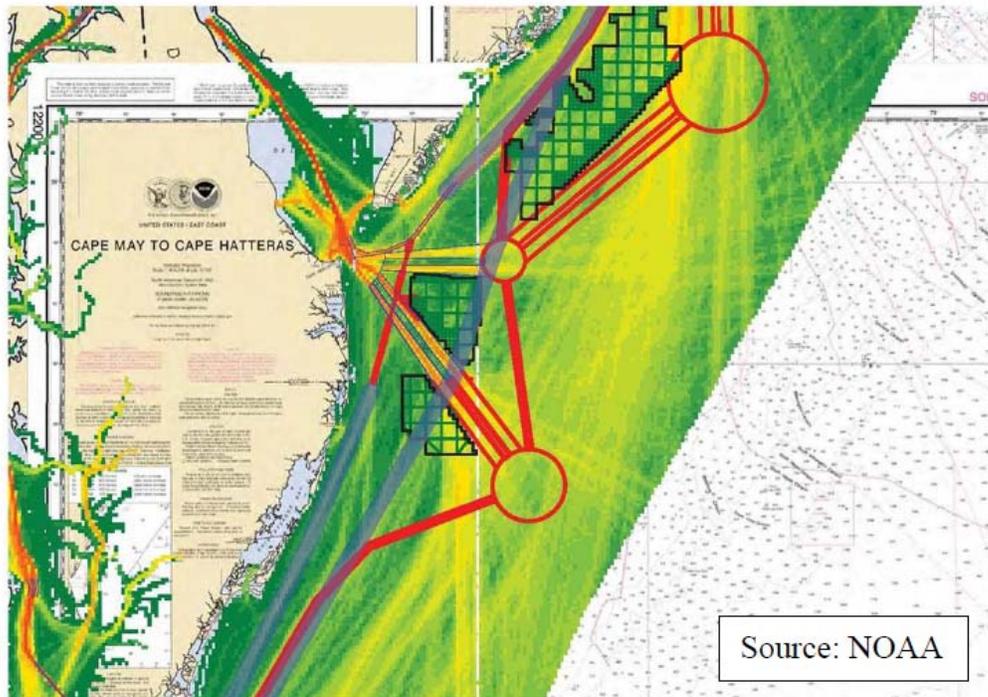


Figure 13 - Entrance to Delaware Bay Heat Map with NJ, DE and MD WEAs and routing measures proposed in public comments