

Billing Code: 4310-MR-W

DEPARTMENT OF THE INTERIOR

Bureau of Ocean Energy Management

[Docket No. BOEM-2022-0017]

**Pacific Wind Lease Sale 1 (PACW-1) for Commercial Leasing for Wind Power on the
Outer Continental Shelf in California - Final Sale Notice (FSN)**

AGENCY: Bureau of Ocean Energy Management, Interior.

ACTION: Final sale notice.

SUMMARY: This Final Sale Notice (FSN) contains information pertaining to the areas available for commercial wind energy leasing on the Outer Continental Shelf (OCS) offshore California. Specifically, this FSN details certain provisions and conditions of the leases, auction details, the lease form, criteria for evaluating competing bids, award procedures, appeal procedures, and lease execution. The Bureau of Ocean Energy Management (BOEM) will offer five leases for sale using a multiple-factor bidding auction format: Lease OCS-P 0561, Lease OCS-P 0562, Lease OCS-P 0563, Lease OCS-P 0564, and Lease OCS-P 0565 (Lease Areas). The issuance of any lease resulting from this sale would not constitute approval of project-specific plans to develop offshore wind energy. Such plans, if submitted by the Lessee, would be subject to subsequent environmental, technical, and public reviews prior to a BOEM decision on whether the proposed development should be authorized.

DATES: BOEM will hold an online mock auction for potential bidders starting at 7:00 a.m. Pacific Standard Time (PST) / 10:00 a.m. Eastern Standard Time (EST) on December 5, 2022. The monetary auction will be held online and will begin at 7:00 a.m. PST / 10:00 a.m. EST on

December 6, 2022. Additional details are provided in the section entitled “Deadlines and Milestones for Bidders.”

FOR FURTHER INFORMATION CONTACT: Sara Gultinan, Bureau of Ocean Energy Management, Pacific Regional Office, Mail Stop CM 102, 760 Paseo Camarillo (Suite 102), Camarillo, California 93010-6002, (805) 384-6345, or sara.gultinan@boem.gov.

SUPPLEMENTARY INFORMATION:

I. Background

The OCS Lands Act authorizes BOEM to offer renewable energy leases for sale on the OCS competitively, unless BOEM determines there is no competitive interest. On October 19, 2018, BOEM published a *Call for Information and Nominations* in the Federal Register (83 FR 53096) (“2018 Call”) that identified three geographically distinct Call Areas on the OCS offshore California, delineated as the Humboldt Call Area (offshore the north coast) and the Morro Bay Call Area and the Diablo Canyon Call Area (offshore the central coast). On July 29, 2021, BOEM published a *Call for Information and Nominations* in the Federal Register (86 FR 40869) (“2021 Call”) that delineated two extensions to the Morro Bay Call Area, known as the East and West Extensions. In response to the 2018 Call and 2021 Call, BOEM identified the Humboldt Wind Energy Area (WEA) on July 28, 2021, and the Morro Bay WEA on November 12, 2021, which together total 373,267 acres. BOEM proposed this lease sale on May 31, 2022, in a Proposed Sale Notice (PSN) published in the Federal Register (87 FR 32443). A 61-day comment period followed. BOEM requested any prospective bidders wishing to participate in a California lease sale to submit qualification materials postmarked no later than August 1, 2022. BOEM also hosted an auction seminar for prospective bidders on June 16, 2022, to discuss the proposed auction format. BOEM received 84 comment submissions in response to the PSN,

which are available on regulations.gov (Docket ID: BOEM-2022-0017) at:

<https://www.regulations.gov/document/BOEM-2022-0017-0001>. BOEM has posted its responses to the comments that were submitted during the PSN comment period. The document entitled, *Response to Comments*, can be found on BOEM's website at: <https://www.boem.gov/renewable-energy/state-activities/california>.

In response to the comments received, BOEM made several changes to the PACW-1 sale format and procedures from those proposed in the PSN and to the lease stipulations in the Proposed Leases. The changes include alterations to the sale format, which is now a single auction in which all the Lease Areas will be offered. In each round of the auction, a bidder can bid for at most one of the offered leases at a time. A bidder can switch between different Lease Areas from round to round, but it must bid in each round, and ultimately it can acquire at most one of the leases in the auction. Other changes from the PSN include the addition of a 5 percent bidding credit for bidders who have committed to a qualifying General Community Benefit Agreement (CBA); an increase in the amount of the credit offered for the Lease Area Use CBA bidding credit from 2.5 to 5 percent; and removal of the requirement for a 25 percent commitment of funds associated with the workforce training and/or supply chain development bidding credit at the time of the submission of the Lessee's first Construction and Operations Plan (COP). In addition, BOEM developed and refined a number of lease stipulations, based on feedback solicited in the PSN, including provisions to: advance Lessee engagement with Tribes and parties that may be affected by the Lessee's activities on the OCS; protect national security; require the Lessee to coordinate with the California Coastal Commission on plan submissions; require the Lessee to use an independent Fisheries Liaison and protect the environment through the imposition of vessel speed requirements, marine mammal monitoring measures, a site-

specific spill prevention and response plan, a critical operations and curtailment plan, requirements related to the avoidance of intentional contact within hard substrate, rock outcroppings, seamounts, or deep-sea coral/sponge habitat, and use of low-energy geophysical survey equipment.

II. List of Eligible Bidders

BOEM has determined that the following 43 entities are legally, technically, and financially qualified to hold a commercial wind lease offshore California, pursuant to 30 CFR 585.106 and 585.107, and therefore may participate in this lease sale as bidders subject to meeting the requirements outlined in this notice. Those entities are listed below:

Company Name	Company No.
547 Energy LLC	15123
AEUG Offshore LLC	15158
Algonquin Power Fund (America) Inc.	15090
Arevia Power LLC	15129
Avangrid Renewables, LLC	15019
BP US Offshore Wind Energy LLC	15122
California North Floating LLC	15145
California Offshore Wind Development LLC	15147
California South Floating LLC	15146
Castle Wind LLC	15085
Central California Offshore Wind LLC	15110
Cademo Corporation	15093
Cierco Project Corporation	15149
Clearway Renew LLC	15109
Corio OSW Investments LLC	15148
CPV Offshore Wind LP	15114
EDF Renewables Development, Inc.	15027
EDPR Offshore North America LLC	15074
Equinor Wind US LLC	15058
Ferrovial Energy US 1, LLC	15150
GW Offshore Wind LLC	15121
Hexicon USA, LLC	15151
Ideol USA Inc.	15163
Invenergy California Offshore LLC	15152
JERA Renewables NA, LLC	15131

Marubeni Power International, Inc.	15128
Mission Floating Wind LLC	15087
Northcoast Floating Wind LLC	15088
Northland Power America Inc.	15068
Orsted North America Inc.	15059
Pacific Moon Offshore Wind LLC	15159
Pacific Offshore Wind LLC	15153
Redwood Coast Energy Authority (RCEA)	15084
Redwood Coast Offshore Wind LLC	15106
RWE Renewables Development, LLC	15080
RWE Offshore Wind Holdings, LLC	15061
Seaglass Offshore Wind I, LLC	15154
Seaglass Offshore Wind II, LLC	15155
Shell New Energies US LLC	15140
SSE Renewable North America Offshore Wind LLC	15124
TotalEnergies Renewables USA, LLC	15136
US Mainstream Renewable Power Inc.	15089
wpd offshore Alpha, LLC	15060

a. *Affiliated Entities*: On the Bidder’s Financial Form (BFF), discussed in sections III(a)(i) and X below, eligible bidders must list any other eligible bidders with whom they are affiliated. For the purpose of identifying affiliated entities, “person” means any individual, firm, corporation, association, partnership, consortium, or joint venture (when established as a separate entity). BOEM considers two entities to be affiliated if:

- (1) They own or have common ownership of more than 50 percent of the voting securities, or instruments of ownership or other forms of ownership, of another person. Such ownership of less than 10 percent of a person constitutes a presumption of non-control that BOEM may rebut.
- (2) They own or have common ownership of 10 through 50 percent of the voting securities or instruments of ownership, or other forms of ownership, of

another person, and BOEM determines that there is control upon consideration of the following factors:

- (i) The extent to which there are common officers or directors.
- (ii) With respect to the voting securities, or instruments of ownership or other forms of ownership: The percentage of ownership or common ownership, the relative percentage of ownership or common ownership compared to the percentage(s) of ownership by other persons, if a person is the greatest single owner, or if there is an opposing voting bloc of greater ownership.
- (iii) Shared operation of a lease, grant, or facility as defined in BOEM's regulations at 30 CFR 585.112.
- (iv) The extent of other owners' participation in operations and day-to-day management of a lease, grant, or facility as defined in BOEM's regulations at 30 CFR 585.112.
- (v) Other evidence of power to exercise control over or common control with another person.

(3) Regardless of any percentage of ownership or common ownership, they are relatives, either by blood or marriage.

(4) They are both direct, or indirect, subsidiaries of the same parent company.

Affiliated eligible bidders are not permitted to compete against each other in the auction. Where multiple affiliated bidders have qualified to bid in the auction, bidders must decide prior to the auction which one eligible affiliated bidder (if any)

will participate in the auction. If two or more affiliated bidders attempt to participate in the auction, BOEM will disqualify such bidders from the auction.

III. Deadlines and Milestones for Bidders

This section describes the major deadlines and milestones in the auction process from publication of this FSN to execution of the lease pursuant to this sale.

- a. *FSN Waiting Period:* During the period between FSN publication and the lease auction (*i.e.*, minimum 30 days), qualified bidders must take several steps to remain eligible to participate in the auction.
 - i. *Bidder's Financial Form:* Each bidder must submit a BFF to BOEM to participate in the auction. The BFF must contain each bidder's conceptual strategy for each non-monetary credit (also referred to herein as "bidding credit") for which the bidder wishes to be considered. BOEM will consider any BFF received on or before November 4, 2022, and it is each bidder's responsibility to ensure BOEM's timely receipt. If a bidder does not submit a BFF by this deadline, BOEM, in its sole discretion, may grant an extension to that bidder only if BOEM determines the bidder's failure to timely submit a BFF was caused by events beyond the bidder's control. The BFF can be downloaded at: <https://www.boem.gov/renewable-energy/state-activities/california>.

For purposes of this auction, BOEM will not consider BFFs submitted by bidders for previous lease sales. The BFF must be executed by an authorized representative listed on the bidder's legal qualifications in the BFF, in accordance with 18 U.S.C. 1011 (Fraud and False Statements). Further

information about the BFF can be found in the “Bidder’s Financial Form” section IX of this notice.

ii. Bid Deposit: Once BOEM has processed a BFF and provided the appropriate information to Office of Natural Resources Revenue (ONRR), ONRR will populate the Bid Deposit Forms and then will notify the bidders that they should have access to pay.gov for the bid deposits. The bidder must log into *pay.gov* to submit a bid deposit. To participate in the mock auction and the monetary auction, each qualified bidder must provide a bid deposit of \$5,000,000 no later than November 21, 2022. BOEM will consider extensions to this deadline only if BOEM, in its sole discretion, determines that the failure to timely submit the bid deposit was caused by events beyond the bidder’s control. Further information about bid deposits can be found in the “Bid Deposit” section XI of this notice. Per 30 CFR 585.222(e), BOEM will send a written notice of its decision to accept or reject bids to all bidders whose deposits we hold.

b. *Conducting the Auction:*

i. Affirmative Action: Prior to bidding in the monetary auction, each bidder must file the Equal Opportunity Affirmative Action Representation Form BOEM-2032 (February 2020, available on BOEM’s website at <http://www.boem.gov/BOEM-2032/>) and Equal Opportunity Compliance Report Certification Form BOEM-2033 (February 2020, available on BOEM’s website at <http://www.boem.gov/BOEM-2033/>) with the BOEM Pacific Regional Office. This certification is required by 41 CFR part 60 and Executive Order (E.O.) 11246, issued September 24, 1965, as amended by E.O. 11375, issued October

13, 1967, and by E.O. 13672, issued July 21, 2014. Both forms must be on file for the bidder(s) in the BOEM Pacific Regional Office prior to the execution of any lease contract.

- ii. Mock Auction:* BOEM will hold a Mock Auction on December 5, 2022, beginning at 7:00 a.m. PST / 10:00 a.m. EST. BOEM will hold the Mock Auction online. BOEM will contact each bidder that has timely submitted a BFF and bid deposit and provide instructions for participation. Only bidders that have timely submitted BFFs and bid deposits may participate in the Mock Auction.
- iii. Multiple-factor Auction:* On December 6, 2022, BOEM, through its contractor, will commence the monetary auction. The first round of the auction will start at 7:00 a.m. PST / 10:00 a.m. EST. The auction will proceed electronically according to a schedule to be distributed by the BOEM Auction Manager at the beginning of the auction, subject to any revisions that will be communicated to bidders during the auction. BOEM anticipates that the auction may extend over two or more consecutive business days, as necessary, until the auction ends in accordance with the procedures described in the “Auction Procedures” section of this notice.
- iv. Announce Provisional Winners:* BOEM will announce the provisional winners of the lease sale after the auction ends.
- c. From the Auction to Lease Execution:*

 - i. Notice and Refunds to Non-Winners:* Once the provisional winners have been announced, BOEM will return the non-winners bid deposits.

- ii. *Department of Justice (DOJ) Review:* DOJ will have 30 days in which to conduct an antitrust review of the auction, pursuant to 43 U.S.C. 1337(c).
- iii. *Delivery of the Lease:* BOEM will send three copies of the lease to each provisional winner, with instructions for executing the lease. The first year's rent is due 45 calendar days after the winners receive the lease copies for execution.
- iv. *Return the Lease:* Within 10 business days of receiving the lease copies, the auction winners must post financial assurance, pay any outstanding balance of their bonus bids (*i.e.*, winning monetary bid minus applicable non-monetary bidding credit and bid deposit), and sign and return the three executed lease copies. In the event of a delay, BOEM may extend the 10-business-day-time period for executing and returning the lease if BOEM, in its sole discretion, determines the delay to be caused by events beyond the winner's control, pursuant to 30 CFR 585.224(e).
- v. *Execution of Lease:* Once BOEM has received the signed lease copies and verified that all other required obligations have been met, BOEM will make a final determination regarding its issuance of the leases and will execute the leases, if appropriate.

IV. Areas Offered for Leasing

BOEM considered the following factors in delineating the Lease Areas included in this FSN: reasonably comparable commercial viability and size; prevailing wind direction and minimal wake effects; maximized energy generating potential; mooring system anchor footprints; distance to shore, port infrastructure, and electrical grid interconnections; and fair

return to the Federal Government pursuant to the OCS Lands Act through competition for commercially viable lease areas.

All five Lease Areas included in this FSN are the size and orientation that BOEM described in the Proposed Sale Notice. BOEM’s designation of the five Lease Areas offered in the FSN was informed by its years-long coordination with BOEM’s intergovernmental task force members, consultation and engagement with Tribes, stakeholder engagement, consideration of the 84 comments that BOEM received in response to the PSN, and the U.S. Coast Guard’s (USCG’s) Draft Pacific Coast Port Access Route Study (PAC-PARS). BOEM is offering five Lease Areas totaling 373,268 acres for sale through this notice (Figure 1).

The areas available for lease will be auctioned in a single auction as listed in the table below.

Table 1 to Section IV – PACW-1 Final Lease Areas

Lease	Total acres
OCS-P 0561	63,338
OCS-P 0562	69,031
OCS-P 0563	80,062
OCS-P 0564	80,418
OCS-P 0565	80,418

BOEM is aware that NOAA’s Office of National Marine Sanctuaries has initiated a designation process for the proposed Chumash Heritage National Marine Sanctuary, an area comprising approximately 7,000 square miles off the central coast of California adjacent to the Morro Bay Lease Areas. BOEM does not have authority under the OCS Lands Act to issue leases, right-of-way grants, or right-of-use and easement grants within any unit of the National Marine Sanctuary System. Potential bidders should note that future designation of a National Marine Sanctuary adjacent to a Lease Area may have implications for development of OCS leases for commercial wind energy due to BOEM’s lack of authority in National Marine

Sanctuaries. BOEM is coordinating closely with the NOAA Office of National Marine Sanctuaries to advance both offshore wind energy projects and conservation and restoration of ocean and coastal habitats. BOEM is a cooperating agency on NOAA's Environmental Impact Statement on the *Proposed Designation of the Chumash Heritage National Marine Sanctuary* and is providing input on the ongoing renewable energy leasing process, as well as contributing special expertise in marine energy and mineral matters. More information on the proposed designation of Chumash Heritage National Marine Sanctuary is available at:

<https://sanctuaries.noaa.gov/chumash-heritage/>.

BOEM is also aware that the USCG has published a Draft PAC-PARS that evaluates safe access routes for the movement of vessel traffic proceeding to or from ports or places along the western seaboard of the United States and aims to determine whether a Shipping Safety Fairway and/or routing measures should be established, adjusted, or modified. The recommendation found in the Draft PAC-PARS calls for the establishment of voluntary fairways to coordinate the flow of vessel traffic along several USCG districts from California to Washington. The Draft PAC-PARS recommends that offshore fairways traverse near the Humboldt and Morro Bay lease areas and states that these recommended fairway routes would allow for the continued flow of vessel traffic without interference from wind energy leasing activities in California. BOEM is coordinating closely with the USCG to address potential maritime impacts from any future offshore wind development in the Lease Areas. More information on the PAC-PARS is available at <http://www.regulations.gov/>, under Docket No. USCG-2021-0345.

Additional information on potential restrictions due to navigation and safety concerns can be found below in the *Potential Future Restrictions to Ensure Navigational Safety* section VII(a).

BOEM is aware of two submarine cable systems that are scheduled for installation or that are already installed in cable corridors that overlap the Lease Areas. A planned submarine telecommunications cable system, known as the Bifrost Cable System, is expected to be installed in 2023 and completed in 2024 in a cable corridor that would overlap with the southern portion of Lease OCS-P 0565. A telecommunications cables project, known as RTI Infrastructure, Inc. Eureka Subsea Fiber Optic Cables Project, was installed in August 2022 and overlaps with Lease OCS-P 0561 and Lease OCS-P 0562.

- a. *Map of the Areas for Leasing:* A map of the Lease Areas and GIS spatial files X, Y (eastings, northings) UTM Zone 18, NAD83 Datum, and geographic X, Y (longitude, latitude), NAD83 Datum can be found on BOEM's website at: <https://www.boem.gov/renewable-energy/state-activities/california>.

V. Environmental Review

On January 11, 2022, BOEM announced the availability of the Draft Environmental Assessment (EA) that assesses potential environmental impacts from site characterization and site assessment activities expected to take place after the issuance of commercial leases within the identified Humboldt WEA. On April 6, 2022, BOEM announced the availability of the Draft EA that assesses potential environmental impacts from site characterization and site assessment activities expected to take place after the issuance of commercial leases within the identified Morro Bay WEA. The EAs focus on potential environmental consequences of site characterization activities (*i.e.*, biological, archaeological, geological, and geophysical surveys and core samples) and site assessment activities (*i.e.*, installation of meteorological buoys) expected to take place after issuance of wind energy leases in the Humboldt and Morro Bay WEAs. Concurrently with its preparation of the EAs, BOEM conducted consultations under the

Endangered Species Act (ESA) and the Magnuson-Stevens Fishery Conservation and Management Act regarding potential impacts to listed species, designated critical habitat, and essential fish habitat, and conducted consistency reviews under the Coastal Zone Management Act. BOEM prepared and executed a programmatic agreement (PA) to guide its consultations under section 106 of the National Historic Preservation Act. The PA provides for consultations to continue through BOEM's decision-making process regarding the issuance of leases, right-of-way grants, and right-of-use and easement grants on the OCS offshore California. The PA also includes BOEM's phased identification and evaluation of historic properties. The availability of the Final EA and Finding of No Significant Impact for the Humboldt WEA was announced on May 5, 2022, and the documents are available at: <https://www.boem.gov/renewable-energy/state-activities/humboldt-wind-energy-area>. The availability of the Final EA and Finding of No Significant Impact for the Morro Bay WEA was announced on October 5, 2022, and the documents are available at: <https://www.boem.gov/renewable-energy/state-activities/morro-bay-wind-energy-area>. BOEM determined that the Proposed Actions would not cause any significant impacts and that implementing the Proposed Actions do not constitute major Federal actions significantly affecting the quality of the human environment within the meaning of section 102(2)(c) of the National Environmental Policy Act of 1969. BOEM will conduct additional environmental reviews upon receipt of a lessee's proposed project-specific plans, such as a Site Assessment Plan (SAP) or Construction and Operations Plan (COP).

VI. New and Modified Lease Stipulations

Based on feedback on the Proposed Sale Notice, BOEM is adding lease stipulations that: (i) were discussed conceptually in the PSN, (ii) include conditions of the California Coastal Commission's conditional concurrence with the consistency determinations for the Humboldt

and Morro Bay WEAs, and (iii) include conditions from the Department of Defense (DoD) to protect national defense capabilities and military operations. BOEM is also refining some stipulations identified in the PSN and proposed leases.

- a. *Reporting requirements:* BOEM is building upon stipulations in previous leases requiring a semi-annual progress report from lessees and regular engagement with Tribes and parties that may be affected by lessees' activities on the OCS. The lease stipulations include working with: the California Native American Heritage Commission to identify Tribes that have cultural and or historical ties to the Lease Areas; coastal communities; commercial and recreational fishing industries and stakeholders; educational and research institutions; environmental and public interest non-governmental organizations; federal, state, and local agencies; Tribes; mariners and the maritime industry; ocean users; submarine cable operators; and underserved communities, as defined in Section 2 of Executive Order 13985. Within the progress report, lessees will be required to identify Tribes and parties that may be affected by lessees' activities on the OCS and with whom the lessees have engaged; provide updates on engagement activities; document potential adverse effects to the interests of Tribes and parties; document how, if at all, a project has been informed or altered to address those potential effects; include feedback from engagement regarding transmission planning prior to proposing any export cable route; provide information that can be made available to the public; and include strategies to reach potentially affected individuals with Limited English Proficiency.

The stipulations include requirements for lessees to engage in ways that minimize linguistic, technological, cultural, capacity, or other obstacles. The

stipulations encourage lessees to work collaboratively with governments, community leadership and organizations, and Tribes and to develop specific frameworks for capacity building.

In acknowledgment of the existing and growing consultation burden placed on many of the Tribes and parties, the stipulation also requires, to the maximum extent practicable, that lessees coordinate with one another on engagement activities. It is BOEM's intention that this requirement to coordinate engagement apply not only to meetings proposed by lessees, but also to reasonable requests to coordinate engagement made by Tribes and parties. Coordinated engagement among Tribes and lessees is strongly encouraged and is in addition to BOEM's responsibilities to federally recognized Tribes under Executive Order 13175.

In addition, the reporting stipulation requires that the progress report incorporate separate lease requirements for the development of communication plans for Tribal governments (Native American Tribes Communications Plan), agencies (Agency Communications Plan), and fisheries (Fisheries Communications Plan). Lastly, the progress report must also include an update on activities executed under any survey plan.

- b. *Expanding Engagement with Potentially Impacted Communities*: Executive Order 13985, "Advancing Racial Equity and Support for Underserved Communities Through the Federal Government," directs advancement of equity for all, including people of color and others who have been historically underserved, marginalized, and adversely affected by persistent poverty and inequality. Executive Order 14008, "Tackling the Climate Crisis at Home and Abroad," establishes a policy to secure

environmental justice and spur economic opportunity for disadvantaged communities through investing in and building a clean energy economy and making environmental justice part of every agency's mission.

Consistent with its statutory and regulatory authorities, BOEM is including lease stipulations designed to ensure that offshore wind development projects are implemented in a manner that minimizes, mitigates, and/or redresses the project's potential adverse effects, if any, on Tribes and parties. The Lessee will engage in ways that minimize linguistic, technological, cultural, capacity, or other obstacles to Tribes and parties.

- c. *Commercial Fisheries*: BOEM is including a stipulation in the lease entitled, "Commercial Fisheries," which would contain components of stipulations in prior commercial leases issued by BOEM, including a requirement for a Fisheries Communications Plan (FCP). BOEM is adding elements to this stipulation in response to its extensive engagement with Tribal governments, the fishing industry, and governmental agencies. Major revisions include: (i) identifying dock space and transit routes that would minimize space use conflicts and potential impacts to protected species; (ii) minimizing both congestion and the creation of obstacles that could result in an increased risk of entanglement; (iii) to the extent practicable, prioritizing Federal and state climate change adaptation strategies for fisheries; and (iv) requiring that the Lessee contact potentially affected commercial fishing communities prior to submitting its COP to discuss potential conflicts between seasonal fishing operations and the Lessee's survey and development activities.

- d. *Protected Species*: In May 2022, BOEM published a Final Humboldt WEA EA which includes the most current measures to minimize potential adverse impacts to protected species, including Endangered Species Act (ESA)-listed species of marine mammals and sea turtles. Similar measures are included in the final Morro Bay WEA EA, published in October 2022. BOEM has included in the leases these measures from the EAs and from the [ESA Concurrence Letter and EFH Response issued on September 21, 2022](https://www.boem.gov/sites/default/files/documents/renewable-energy/state-activities/LOC-EFH%20for%20OSW%20leases%20in%20CA.pdf) (<https://www.boem.gov/sites/default/files/documents/renewable-energy/state-activities/LOC-EFH%20for%20OSW%20leases%20in%20CA.pdf>).
- e. *Project Labor Agreements (PLAs) and Supply Chain*: BOEM is committed to workforce development and safety and the establishment of a durable domestic supply chain that can sustain the U.S. offshore wind energy industry. To advance this vision, BOEM is including two lease stipulations, one that encourages construction efficiency for projects and the other that contributes towards establishing a domestic supply chain:
- i. The first stipulation requires lessees to make every reasonable effort to enter into a PLA covering the construction stage of any project for the Lease Areas. The PLA provisions for the construction of an offshore wind project apply to all contractors.
 - ii. The second stipulation requires lessees to establish a Statement of Goals in which the Lessee describes its plans for contributing to the creation of a robust and resilient U.S.-based floating offshore wind industry supply chain that would facilitate this or other renewable energy projects permitted by BOEM. The

Lessee is required to provide regular progress updates on the achievement of those goals to BOEM, and BOEM will make those updates publicly available.

- f. *Research Site Access*: This stipulation makes explicit that BOEM, its designated representative, or any entity to which the Lessor provides access retains the right to access the Lease Area for purposes of future research and other activities conducted under the lease.
- g. *Archaeological Survey Requirements*: BOEM is including a modification of lease stipulations in previous commercial leases regarding archaeological survey requirements. The revised stipulation requires that the Lessee provide to BOEM, in the associated plan submissions, a description of the methods it uses to conduct archaeological surveys in support of plans (*i.e.*, SAP and/or COP), in addition to the survey results. The Lessee is required to coordinate a Tribal pre-survey meeting with Tribes that have cultural and/or historical ties to the Lease Area; the Lessee must work with BOEM and the California Native American Heritage Commission to identify such Tribes). In the post-review discovery clauses, the revised stipulation requires that, in the event of unanticipated discovery of a potential archaeological resource, the Lessee will immediately halt bottom-disturbing activities within the area of discovery by a minimum of 50 meters (164 feet), and the avoidance distance must be calculated from the maximum discernible extent of the archaeological resource. The revised stipulation also adds a requirement in the post-review discovery clauses that the Lessee refers to the NATCP for additional guidance on notifications.
- h. *Foreign Interest*: To protect national defense capabilities and military operations, BOEM is requiring the Lessee to provide to DoD specific information, including

names of entities or persons having a direct ownership interest in an offshore wind facility, and changes in ownership interests; the names of the material vendors, entities, and persons with which the Lessee will potentially execute contracts to perform construction, supply turbines or other components, or conduct construction and operational activities at the facility; and the names of any foreign entities and persons (as those terms are defined at 31 CFR 800.220 and 31 CFR 800.224) allowed to access the wind turbine structures and associated data systems. In addition, security concerns raised by DoD must be resolved prior to allowing access to the site by foreign persons or representatives of foreign entities for which DoD has raised concerns or the use of wind turbines or other permanent on-site equipment manufactured by such an entity.

- i. Notice of Assignment to the Committee on Foreign Investment in the United States (CFIUS):* Under BOEM’s regulations, a lessee must be one of the following: (1) a citizen or national of the United States; (2) an alien lawfully admitted for permanent residence in the United States as defined in 8 U.S.C. 1101(a)(20); (3) a private, public, or municipal corporation organized under the laws of any State of the United States, the District of Columbia, or any territory or insular possession subject to U.S. jurisdiction; (4) an association of such citizens, nationals, resident aliens, or corporations; (5) an Executive Agency of the United States as defined in section 105 of Title 5 of the U.S. Code; (6) a State of the United States; or (7) a political subdivision of States of the United States. However, this condition addresses a situation where a proposed Lessee, even if in compliance with BOEM’s regulations, is a foreign-controlled business entity under the regulations at 31 CFR part 800. In

this situation, BOEM and the proposed Lessee must jointly provide notice of the proposed transaction to CFIUS in accordance with applicable regulations (subpart D of 31 CFR part 800) and provide a copy of the notice to the DoD. Approval of any assignment of lease interest that is subject to this stipulation would only take place after CFIUS provides notice that it has concluded all action under section 721 of the Defense Production Act of 1950, as amended, with respect to the assignment.

- j. California Coastal Commission Consistency Determination Conditions:* The following conditions were the result of the California Coastal Commission consistency determination for the Morro Bay and Humboldt WEAs [CD-0004-22 and CD-0001-22]. Upon consideration of the record, BOEM has determined that these stipulations are appropriate and reasonable as a means of balancing the factors set forth in OCSLA Section 8(p) or to further expeditious development of the lease.

 - i. Vessel Speed Requirements:* Vessels conducting lease characterization studies, surveys, metocean buoy installation, maintenance, or decommissioning, or any other survey activities must travel at speeds of no more than 10 knots during all related activities, including vessel transit.
 - ii. Marine Mammal Monitoring Measures:* Lessees must implement all marine wildlife and protection and monitoring measures during all marine operations (e.g., surveys, buoy installation and removal), consistent with vessel and worker safety. In addition, prior to the start of offshore activities, the Lessee must provide awareness training to all Project-related personnel and vessel crew, including viewing of an applicable wildlife and fisheries training video, on the most common types of marine wildlife likely to be encountered in the project

area and the types of activities that have the most potential for affecting the animals.

- iii. Site-specific Spill Prevention and Response Plan:* The Lessee must submit a site-specific Spill Prevention and Response Plan a minimum of 30 days before commencement of any in-water survey activities or as part of any survey plan or SAP. The Plan must be kept on the appropriate survey vessels during all survey and SAP operations. The Plan must identify the worst-case spill scenario and demonstrate that adequate spill response equipment will be available. The Plan must also include preventative measures the Lessee will implement to avoid spills; clearly identify responsibilities of onshore and offshore contractors and the Lessee's personnel; and must list and identify the location of oil spill response equipment (including booms), appropriate protocols, and response times for deployment. Petroleum-fueled equipment on the main deck of all vessels must have drip pans or other means of collecting dripped petroleum, which must be collected and treated with onboard equipment.
- iv. Critical Operations and Curtailment Plan (COCP):* The Lessee must include a COCP as part of any survey plan. The COCP must define the limiting conditions of sea state, wind, or any other weather conditions that exceed the safe operation of offshore vessels, equipment, or divers in the water; that hinder potential spill cleanup; or that in any way pose a threat to personnel or the safety of the environment. The COCP must provide for a minimum ongoing five-day advance weather forecast during offshore operations. The Plan must also identify the onsite person with authority to determine critical conditions and

suspend work operations when needed. The COCP must be kept on the appropriate survey vessels during all survey and SAP operations.

- v. *Anchoring Plan*: The Lessee must submit an Anchoring Plan to BOEM as part of any survey plan that requires vessel anchoring. The Plan must describe how the Lessee will avoid placing anchors on sensitive ocean floor habitats, cables, and pipelines and must include supporting information.
- vi. *Bottom Contact*: The Lessee must avoid intentional contact with hard substrate, rock outcroppings, seamounts, or deep-sea coral/sponge habitat, and include a buffer of at least 40 feet (12 meters) from hard bottom substrates that fully protects these habitats from bottom contact, including, but not limited to, anchoring, mooring, and sediment sampling.
- vii. *Use Low-Energy Equipment*: The Lessee must use low-energy equipment, as defined by California State Regulation 2 CCR § 2100.03(g), to complete its geophysical surveys. Low-energy equipment is limited to sub-bottom profilers (e.g., mini-sparkers). The Lessee is encouraged to use geophysical survey operators that conduct their surveys consistent with the provisions of the California State Lands Commission's low-energy geophysical survey program.
- viii. *Coordination with the California Coastal Commission*: The Lessee must coordinate with the California Coastal Commission to ensure the Lessee's survey and SAP submissions are coordinated and consistent, minimize impacts to coastal resources, and provide the data and information necessary for analysis of future consistency certifications.

- ix. *Fisheries Liaison*: The Lessee is required to use an independent Fisheries Liaison that is responsible for the coordination and communication of site activities with affected commercial, recreational, and subsistence fishing communities and harbor districts, including such coordination and communication concerning development and implementation of survey plans and SAPs.

VII. Potential Future Restrictions

- a. *Potential Future Restrictions to Ensure Navigational Safety*:
- i. *USCG Navigational Safety Measures*: Potential bidders should note that the USCG has conducted the Pacific Coast Port Access Route Study (PAC-PARS) (draft report dated September 2022) to evaluate safe access routes for the movement of vessel traffic proceeding to or from ports or places along the western seaboard of the United States and to determine whether a Shipping Safety Fairway and/or routing measures should be established, adjusted, or modified. The draft PAC-PARS evaluated the continued applicability of, and the need for modifications to, current vessel routing measures. The draft PAC-PARS recommends a voluntary fairway system with a 15-nautical-mile (NM)-wide major thoroughfare that generally follows the existing offshore route used by commercial container and bulk carrying vessels. The main trunk of the fairway runs north-south, down to the Santa Barbara TSS north of the Channel Islands. This fairway provides a voluntary, recommended route for coastwise vessel traffic. Port approaches connect vessel traffic entering and departing major California ports to the offshore fairway. These fairways are generally 5

NMs wide, except for a larger opening at the San Francisco east/west Transit Separation Scheme. While data gathered during the finalization of the PAC-PARS may result in the establishment of one or more new vessel routing measures, modification of existing recommended routing measures, or disestablishment of existing recommended routing measures off the Pacific Coast between Washington and California, the draft PAC-PARS recommends offshore fairways that traverse near the Humboldt and Morro Bay Lease Areas, which are found in locations that allow for the continued flow of vessel traffic along recommended fairway routes without interference from wind energy leasing activities. The PAC-PARS study did not consider issues that may arise relating to vessel anchorage needs, particularly during emergency situations. Potential bidders should note that the USCG is undertaking a national review of anchorage regulatory standards. This may result in new recommendations from the USCG relating to allowances for vessel anchors in certain portions of the Lease Areas. BOEM may require mitigation measures in a COP once the Lessee's site-specific navigational safety risk assessment is available to inform BOEM's decision-making. The final PAC-PARS and the review of vessel anchorage regulatory standards may result in additional navigational mitigation measures at the COP review stage.

- ii. Measures for Vessel Transit:* The information currently available does not indicate that vessel routing mitigation measures are warranted in the Lease Areas at lease execution and the Draft PAC-PARS study recommends fairways that avoid the Lease Areas entirely. However, at the COP stage BOEM may

nonetheless consider designating portions of the Lease Areas as areas of no surface occupancy to facilitate vessel transit and continuance of existing uses.

- b. *Potential Future Restrictions to Mitigate Potential Conflicts with Department of Defense Activities:* In 2018, DoD reviewed the Humboldt and Morro Bay Call Areas (83 FR 53096) in support of BOEM's efforts to deconflict potential wind energy development in the areas in northern and central California, respectively. DoD provided its assessment of the California Offshore Planning Areas, and the 2018 DoD assessment indicated that its mission activities along most of the central coast, including the Morro Bay Call Area, are incompatible with wind energy development. DoD determined that the Humboldt Call Area, located off the coast of northern California, was DoD-mission compatible, with site-specific stipulations.

On May 25, 2021, the Departments of the Interior and Defense and the State of California announced an agreement to accelerate wind energy offshore the central and northern coasts of California. The Department of the Interior, in cooperation with DoD and the State of California, identified the Morro Bay 399 Area that could support approximately three gigawatts of offshore wind on roughly 399 square miles off California's central coast, northwest of Morro Bay. The announcement also acknowledged the critical nature of current and future military testing, training, and operations in the central coast and noted the parties' commitment to ensuring long-term protection of military testing, training, and operations in the area while pursuing new domestic clean energy resources. This announcement came after years of collaboration between the Departments of the Interior and Defense to find areas offshore the central coast of California that are compatible with DoD's training and

testing operations. The Lease Areas offshore Morro Bay are all located within the Morro Bay 399 Area and have been determined by DoD to be suitable for development, with site-specific stipulations.

Prospective bidders should be aware that site specific terms and conditions of any COP approval, such as curtailment protocol, will be required by DoD. Any such terms and conditions will result from consultation with DoD on development within the Lease Areas. For example, DoD will likely require a curtailment protocol with the Lessee to avoid conflicts with electromagnetically sensitive activities conducted in the area, including those associated with the Point Mugu Sea Range, Vandenberg Space Force Base, and North American Aerospace Defense Command (NORAD). DoD has indicated to BOEM that curtailment will be temporary and limited to instances where it is necessary to avoid conflicts with national security or defense requirements.

BOEM will coordinate with DoD and the Lessee to deconflict these potential impacts throughout the project review stage. Mitigation measures or terms and conditions of a plan approval may result from this coordination effort.

Potential bidders should be aware that there may be national security considerations associated with any request by DoD for curtailment and any curtailment resulting therefrom. Future Lessees will not be allowed to disclose any such request or any curtailment resulting therefrom without the prior consent of DoD. DoD has stated that consent to disclose to a business entity with a need to know and with which a non-disclosure agreement is in place will not be unreasonably withheld.

The DoD is exploring potential national security threats from deployment of Distributed Optical Fiber Sensing (DOFS) technology associated with offshore energy projects. BOEM retains the right to unilaterally require a Lessee to implement mitigation measures necessary to safeguard against these potential threats to national security and military operations, as identified by the DoD.

VIII. Lease Terms and Conditions

BOEM has included terms and conditions for the OCS commercial wind leases to be offered through this sale. After the leases are issued, BOEM reserves the right to require compliance with additional terms and conditions associated with approval of a SAP and COP. The leases are available on BOEM's website at: <https://www.boem.gov/renewable-energy/state-activities/california>. Each lease would include the following attachments:

1. Addendum A (“Description of Leased Area and Lease Activities”);
2. Addendum B (“Lease Term and Financial Schedule”);
3. Addendum C (“Lease-Specific Terms, Conditions, and Stipulations”);
4. Addendum D (“Project Easement”); and
5. Addendum E (“Rent Schedule”).

Addenda A, B, and C provide detailed descriptions of lease terms and conditions.

Addenda D and E will be completed at the time of COP approval or approval with modifications, should a COP be approved.

- a. *Required Plans for Potential Development of Executed Leases:* Under 30 CFR 585.601, if site assessment activities will be conducted, the Lessee will be required to submit a SAP within 12 months of lease issuance. Approval of the SAP will initiate the Lessee's five-year site assessment term. If the Lessee intends to continue its

commercial lease with an operations term, the Lessee will be required to submit a COP at least six months before the end of the site assessment term.

IX. Financial Terms and Conditions

This section provides an overview of the annual payments required of the Lessee that are more fully described in the lease, and the financial assurance requirements that will be associated with the lease.

- a. *Rent*: Pursuant to 30 CFR 585.224(b) and 585.503, the first year's rent payment of \$3 per acre would be due within 45 calendar days after the Lessee receives the lease copies from BOEM for execution. For example, for a 69,031-acre lease (the size of OCS-P 0562), the rent payment will be \$207,093 per year until commercial operations begin. Thereafter, until commercial operations begin, annual rent payments would be due on the anniversary of the effective date of the lease (the "Lease Anniversary"). Once commercial operations under the lease begin, BOEM will charge rent only for the portions of the Lease Area remaining undeveloped (*i.e.*, non-generating acreage).

If the Lessee submits an application for relinquishment of a portion of its leased area within the first 45 calendar days after receiving the lease copies from BOEM and BOEM approves that application, no rent payment will be due on the relinquished portion of the Lease Area. Later relinquishments of any portion of the Lease Area will reduce the Lessee's rent payments starting in the year following BOEM's approval of the relinquishment. A lease issued under this part confers on the Lessee the right to one or more project easements, without further competition, for the purpose of installing gathering, transmission, and distribution cables, pipelines,

and appurtenances on the OCS as necessary for the full enjoyment of the lease. A Lessee must apply for the project easement as part of the COP or SAP, as provided under subpart F of 30 C.F.R. part 585.

The Lessee must also pay rent for any project easement associated with the lease, commencing on the date that BOEM approves the COP (or modification thereof) that describes the project easement, with the first rent payment due when the operations term begins, as outlined in 30 CFR 585.500(a)(5) and 585.507(b). Annual rent for a project easement is \$5 per acre, subject to a minimum of \$450 per year.

- b. *Operating Fee:* For purposes of calculating the initial annual operating fee payment under 30 CFR 585.506, BOEM applies an operating fee rate to a proxy for the wholesale market value of the electricity expected to be generated from the project during its first 12 months of operations. This initial payment would be prorated to reflect the period between the commencement of commercial operations and the Lease Anniversary. The initial annual operating fee payment would be due within 45 days after commencement of commercial operations. Thereafter, subsequent annual operating fee payments would be due on or before the Lease Anniversary.

The subsequent annual operating fee payments are calculated by multiplying the operating fee rate by the imputed wholesale market value of the projected annual electric power production. For the purposes of this calculation, the imputed market value would be the product of the project's annual nameplate capacity, the total number of hours in the year (8,760), the capacity factor, and the annual average price of electricity derived from a regional wholesale power price index. For example, the annual operating fee for a 976-megawatt (MW) wind facility operating at a 40 percent

capacity (*i.e.*, capacity factor of 0.4) with a regional wholesale power price of \$40 per megawatt hour (MWh) and an operating fee rate of 0.02 will be calculated as follows:

$$\text{Annual Operating Fee} = 976 \text{ MW} \times 8,760 \frac{\text{hrs}}{\text{year}} \times 0.4 \times \frac{\$40}{\text{MWh}} \text{Power Price} \times 0.02 = \$2,736,820.22$$

- i. Operating Fee Rate:* The operating fee rate is the share of imputed wholesale market value of the projected annual electric power production due to ONRR as an annual operating fee. For the Lease Areas, BOEM will set the fee rate at 0.02 (*i.e.*, 2 percent) for the entire life of commercial operations.
- ii. Nameplate Capacity:* Nameplate capacity is the maximum rated electric output, expressed in MW, that the turbines of the wind facility under commercial operations can produce at their rated wind speed, as designated by the turbine's manufacturer. The nameplate capacity available at the start of each year of commercial operations on the lease will be the capacity provided in the Fabrication and Installation Report (FIR). For example, if the Lessee installed 100 turbines as documented in its FIR, and each is rated by the manufacturer at 12 MW, the nameplate capacity of the wind facility would be 1,200 MW.
- iii. Capacity Factor:* The capacity factor relates to the amount of energy delivered to the grid during a period of time compared to the amount of energy the wind facility would have produced at full capacity during that same period of time. This factor is represented as a decimal between zero (0) and one (1). There are several reasons why the amount of power delivered is less than the theoretical 100 percent of capacity. For a wind facility, the capacity factor is mostly determined by the availability of wind. Transmission line loss and downtime for maintenance or other purposes also affect the capacity factor.

BOEM will set the capacity factor at 0.4 (*i.e.*, 40 percent) for the year in which the commercial operation date occurs and for the first six full years of commercial operations on the lease. At the end of the sixth year, BOEM may adjust the capacity factor to reflect the performance over the previous five years based upon the actual metered electricity generation at the delivery point to the electrical grid. BOEM may make similar adjustments to the capacity factor once every five years thereafter.

iv. Wholesale Power Price Index: Under 30 CFR 585.506(c)(2)(i), the wholesale power price, expressed in dollars per MWh, is determined at the time each annual operating fee payment is due. For the leases offered in this sale, BOEM will use the annual average of the California Independent System Operator (California ISO) North of Path 15 (NP15) market hub price. The Lessee may also use aggregated data from commercial subscription services, such as S&P Global Market Intelligence Platform or Hitachi ABB Velocity Suite and this may be posted by BOEM for reference.

c. Financial Assurance: Within 10 business days after receiving the lease copies for execution and pursuant to 30 CFR 585.515–585.516, each provisional winner must provide an initial lease-specific bond or other BOEM-approved financial assurance instrument in the amount of \$100,000. The provisional winners may meet financial assurance requirements by posting a surety bond or financial assurance instrument or alternative detailed in 30 C.F.R. §§ 585.526–585.529. BOEM encourages the provisionally winning bidders to discuss the financial assurance instrument requirements with BOEM as soon as possible after the auction has concluded.

BOEM will base the amount of all SAP, COP, and decommissioning financial assurance on cost estimates for meeting all accrued lease obligations at the respective stages of development. BOEM will determine the required amount of supplemental and decommissioning financial assurance on a case-by-case basis.

- d. *Payments*: The annual lease payments and financial assurance requirements described above can be found in Addendum “B” of the leases, which BOEM has made available with this notice on its website at: <https://www.boem.gov/renewable-energy/state-activities/california>.

X. Bidder’s Financial Form

Each bidder must fill out the BFF referenced in this FSN. A copy of the form is available at: <https://www.boem.gov/renewable-energy/state-activities/california>. Bidders seeking to use the bidding credits must mark the appropriate box(es) on their BFF and submit a conceptual strategy(ies) with their BFF as described in the BFF Addendum. Bidders are encouraged to carefully read the BFF and BFF Addendum. Bidders who do not elect to attempt to qualify for a bidding credit should mark the box on their BFF next to the paragraph declining the bidding credits. If the bidder does not select bid credits on the BFF or does not submit conceptual strategy(ies), then BOEM will assume that the bidder has no interest in a bidding credit. BOEM must receive each BFF and conceptual strategy(ies), as appropriate, no later than November 4, 2022. If a bidder does not submit a BFF for this sale by the deadline, BOEM, in its sole discretion, may grant an extension to that bidder only if BOEM determines the bidder’s failure to timely submit a BFF was caused by events beyond the bidder’s control.

BFFs submitted by bidders for previous lease sales will not satisfy the requirements of this auction. For the PACW-1, BOEM will accept bidder's BFFs and conceptual strategies electronically or by mail. Instructions for submission can be found in the BFF. The BFF must be executed by an authorized representative listed in the qualifications package on file with BOEM as authorized to bind the company. Winning bidders committing to the bidding credit(s) must meet the bidding credit requirements no later than submission of their first Facility Design Report (FDR).

XI. Bid Deposit

A bid deposit is an advance cash payment submitted to BOEM to participate in the auction. ONRR will notify the bidders that they have access to the Bid Deposit Form in pay.gov, and bidders must use the Bid Deposit Form on the pay.gov website to leave a deposit. Bidders may need to create an account in pay.gov to access the Bid Deposit Form and leave a deposit. Each bidder must submit a bid deposit of \$5,000,000 no later than November 21, 2022, to be eligible to bid for one lease area. Any bidder who fails to submit the bid deposit by this deadline may be disqualified from participating in the auction. BOEM will consider extensions to this deadline only if BOEM, in its sole discretion, determines that the failure to timely submit the bid deposit was caused by events beyond the bidder's control.

Following the auction, bid deposits will be applied against bonus bids. Once BOEM has announced the provisional winners, BOEM will refund bid deposits to the other bidders.

If BOEM offers a lease to a provisionally winning bidder and that bidder fails to timely return the signed lease form, establish financial assurance, or pay the balance of its

bid, BOEM may retain the bidder's \$5,000,000 bid deposit. In such a circumstance, BOEM may determine which bid would have won in the absence of the bid previously determined to be the winning bid and may offer a lease pursuant to this next highest bid if the Lessee that provided it has not won one of the other Lease Areas.

XII. Minimum Bid

The minimum bid is the lowest bid BOEM will accept as a winning bid, and it is where BOEM will start the bidding in the auction. BOEM has established a minimum bid of \$100.00 per acre for this lease sale. See table in section XIII.e below for total minimum bids for each lease to be offered in these sales.

XIII. Auction Procedures

Multiple-Factor Bidding Auction: As authorized under 30 CFR 585.220(a)(4) and 585.221(a)(6), BOEM will use a multiple-factor bidding auction for this lease sale. The bidding system for this lease sale will be a multiple-factor combination of a monetary bid and a non-monetary factor. BOEM will grant bidding credits to potential bidders for commitments to:

- (1) support workforce training programs for the floating offshore wind industry and/or develop a U.S. domestic supply chain for the floating offshore wind industry;
- (2) establish a Lease Area Use CBA with one or more communities, stakeholder groups, or Tribal entities whose use of the geographic space of the Lease Area, or whose use of resources harvested from that geographic space, is expected to be impacted by the Lessee's potential offshore wind development, and

- (3) establish a General CBA with one or more communities, Tribes, or stakeholder groups that are expected to be affected by the potential impacts on the marine, coastal, and/or human environment (such as impacts on visual or cultural resources) from activities resulting from lease development that are not otherwise addressed by the Lease Area Use CBA.

This auction format was selected to:

- (1) enhance, through training, the floating offshore wind workforce and enhance the establishment of a domestic supply chain for floating offshore wind manufacturing, assembly, or services, and that is designed to lead to expeditious and orderly development of offshore wind resources on the OCS;
- (2) support the expeditious and orderly development of OCS resources by mitigating potential direct impacts from proposed projects and encouraging the investment in infrastructure germane to the offshore wind industry; and
- (3) advance the purposes of OCSLA by facilitating the coexistence of multiple ocean uses on the OCS, promoting meaningful comment and participation in the leasing and plan review process, and mitigating potential economic impacts on communities impacted by potential offshore wind development.

BOEM will appoint a panel to review the non-monetary component after the BFFs and bid deposits have been received but before the auction, and the panel will verify the results of the lease sale. Following review of the strategy to support workforce training programs for the floating offshore wind industry; development of a U.S. domestic supply chain for the floating offshore wind energy industry; either CBA; or a combination thereof, BOEM will notify bidders if they qualify for the credit prior to the

mock auction. BOEM reserves the right to change the composition of this panel at any time. The bid made by a particular bidder in each round will represent the sum of a monetary (cash) amount and a non-monetary factor (bidding credit). The structure of this bidding credit is explained in the subsection below.

A bidder will be eligible to elect to qualify for one or more of the bidding credits. A bidder may target either workforce training, supply chain development, or a combination thereof for a 20 percent credit. The Lease Area Use CBA bidding credit will be worth 5 percent of the cash bid. The General CBA bidding credit will be worth 5 percent of the cash bid. If a bidder qualifies for all three bidding credits, the credits will be additive, for a total potential credit of a maximum 30 percent of the cash bid. Bidders are encouraged to review the BFF Addendum if they are interested in qualifying for these bidding credits.

a. *Bidding credit calculation:* BOEM provides the following example. For a cumulative 30 percent of cash bid bidding credit with a \$50 million Asking Price, the bidding credit will be calculated (subject to rounding) as follows:

$$\text{Cash Bid} = \left\{ \frac{\text{Asking Price}}{1 + \text{Credit}\%} \right\} = \left\{ \frac{\$50 \text{ million}}{1 + 30\%} \right\} = \$38,461,538$$

$$\text{Credit} = \$50 \text{ million} - \$38,461,538 = \$11,538,462$$

Only the 20 percent workforce training and/or supply chain development credit will require an explicit financial commitment. Bidders seeking a CBA credit will retain the flexibility to determine the optimal benefits (both monetary and non-monetary) on which the parties can agree. Thus, per the example above, the required financial commitment for the workforce training and/or supply chain development credit is calculated as 20 percent of the cash bid. It will be calculated as follows:

$$\begin{aligned} \text{Commitment} &= \text{Cash Bid} * \text{Workforce Training Supply Chain Credit\%} = \$38,461,538 * 20\% \\ &= \$7,692,308 \end{aligned}$$

Though no specific financial commitment is required, the value of the credit for the two CBAs are similarly calculated, but for 5 percent of the cash bid.

BOEM has prepared a table demonstrating the credit value calculations if a \$50 million Asking Price is paid for in part with various bidding credits. Any financial commitment is calculated solely from the value of the 20 percent workforce training and/or supply chain development bidding credit, with no financial commitment required for a CBA credit. The same calculations of cash bids and credits are applicable to exit bids, as well as to live bids. Note that, in the monetary auction, all fractional dollar amounts will be subject to rounding to the nearest dollar.

Bidding Credits Qualified For	Asking Price	Cash Bid	Percent Credit	Credit Value	Workforce Training/ Supply Chain Credit (20%)	Lease Area Use CBA Credit (5%)	General CBA Credit (5%)
Workforce Training/Supply Chain Development; <i>and</i> Lease Area Use CBA <i>and</i> General CBA	\$50 million	\$38,461,538	30%	\$11,538,462	\$7,692,308	\$1,923,077	\$1,923,077
Workforce Training/Supply Chain Development; <i>and</i> Lease Area Use CBA	\$50 million	\$40,000,000	25%	\$10,000,000	\$8,000,000	\$2,000,000	N/A
Workforce Training/Supply Chain Development;	\$50 million	\$40,000,000	25%	\$10,000,000	\$8,000,000	N/A	\$2,000,000

<i>and General CBA</i>							
Workforce Training/Supply Chain Development <i>only</i>	\$50 million	\$41,666,667	20%	\$8,333,333	\$8,333,333	N/A	N/A
Both CBA Credits <i>only</i>	\$50 million	\$45,454,545	10%	\$4,545,455	N/A	\$2,272,727	\$2,272,727
Lease Area Use CBA Credit <i>only</i>	\$50 million	\$47,619,048	5%	\$2,380,952	N/A	\$2,380,952	N/A
General CBA Credit <i>only</i>	\$50 million	\$47,619,048	5%	\$2,380,952	N/A		\$2,380,952

Note: Cash bid and credit values are rounded to the nearest dollar in the Power Auctions

software. BOEM will then use those values to calculate the credit values and will also round to the nearest dollar.

b. 20 Percent Non-Monetary (Bidding) Credit for Workforce Training or Supply Chain

Development or a Combination of Both: This type of bidding credit allows a bidder to receive a credit of 20 percent of its cash bid in exchange for committing to make a qualifying monetary contribution (“Contribution”) to programs or initiatives, as described in the BFF Addendum and lease. The workforce training programs must support the floating offshore wind industry, development of a U.S. domestic supply chain for the floating offshore wind energy industry, or both. To qualify for this credit, the winning bidder is required to financially contribute the value of this bidding credit toward a workforce training program or the development of a domestic supply chain, as described in the BFF Addendum and lease.

- i. The Contribution to workforce training must result in a better trained and/or larger domestic floating offshore wind workforce that would provide for more efficient operations via increasing the supply of fully trained personnel.*

- ii.* The Contribution to domestic supply chain development must result in (i) overall benefits to the U.S. floating offshore wind supply chain available to all potential purchasers of offshore wind services, components, or subassemblies, not solely the Lessee's project; (ii) either the demonstrable development of new domestic capacity (including vessels) or the demonstrable buildout of existing capacity; or (iii) a more robust floating offshore wind domestic supply chain by reducing the upfront capital or certification cost for manufacturing offshore wind components, including the building of facilities, the purchasing of capital equipment, and the certifying of existing manufacturing or assembly facilities.
- iii.* No portion of the Contribution may also be used to meet the requirements of any other bidding credits for which the Lessee qualifies.
- iv.* Bidders seeking to use the bidding credit under this provision can choose to commit to workforce training programs, domestic supply chain initiatives, or a combination of both. The strategy must describe the verifiable actions to be taken by the Lessee that would allow BOEM to confirm compliance when the documentation for satisfying the bidding credit is submitted. The Contribution must be made no later than the time of the submission of the Lessee's first FDR. Lessees must provide documentation showing that the Lessee has made the Contribution and complied with the applicable requirements no later than the submission of the first FDR for the Lease. Deferring the payment until no later than the FDR will enable the Lessee to identify programs or recipients with the greatest potential to expedite or facilitate orderly OCS renewable energy development.

- v. Contributions to workforce training must be to one or more of the following: (i) Contributions toward union apprenticeships, labor management training partnerships, stipends for workforce training, or other technical training programs or institutions focused on providing skills necessary for the planning, design, construction, operation, maintenance, or decommissioning of floating offshore wind energy projects in the United States; (ii) Contributions toward maritime training necessary for the crewing of vessels to be used for the construction, servicing, and/or decommissioning of floating offshore wind energy projects in the United States; (iii) Contributions toward training workers in skills or techniques necessary to manufacture or assemble floating offshore wind components, subcomponents, or subassemblies. Examples of these skills and techniques include those in the areas of welding; floating offshore wind energy technology; hydraulic maintenance; braking systems; mechanical systems, including blade inspection and maintenance; or computers and programmable logic control systems; (iv) Contributions toward Tribal workforce development programs or training for employees of wholly owned Tribal corporations that lead to the expeditious and orderly development of floating offshore wind; or (v) Contributions toward training in any other job skills that the Lessee can demonstrate are necessary for the planning, design, construction, operation, maintenance, or decommissioning of floating offshore wind energy projects in the United States.
- vi. Contributions to domestic supply chain development must be one or more of the following: (i) Contributions supporting the development of a domestic supply

chain for the floating offshore wind industry, including manufacturing of components and sub-assemblies and the expansion of related services; (ii) Contributions to domestic Tier 2 and Tier 3 floating offshore wind component suppliers, such as mooring line manufacturers, and domestic Tier 1 supply chain efforts, including quay-side fabrication of floating foundations and assembly of the floating tower, as defined in the Lease and BFF Addendum; (iii) Contributions for technical assistance grants to help U.S. manufacturers re-tool or certify (e.g., ISO-9001) for floating offshore wind manufacturing; (iv) Contributions for the development of Jones Act-compliant vessels for the construction, servicing, and/or decommissioning of floating offshore wind energy projects in the United States, including semi-submersible barges for use during quayside manufacturing, assembly, or installation; (v) Contributions to the purchase and installation of self-propelled modular transporter systems (SPMTs), lift cranes capable of installing foundations, towers, and nacelles quayside, and domestic mooring manufacturing facilities; (vi) Contributions to port infrastructure related to floating offshore wind component manufacturing and preparation of quayside manufacturing and assembly areas for the construction and deployment of floating foundations for, or other components of, offshore wind turbines; (vii) Contributions to establish a new or existing bonding support reserve or revolving fund available to all businesses providing goods and services to floating offshore wind energy companies, including disadvantaged businesses, and/or wholly owned Tribal corporations; or (viii) Other Contributions to supply chain development efforts that the Lessee can

demonstrate further the manufacture of floating offshore wind components or subassemblies, or the provision of floating offshore wind services, in the United States.

- vii. *Documentation:* If a lease is awarded pursuant to a winning bid that includes a bidding credit for workforce training and/or supply chain development, the Lessee must provide documentation to BOEM showing that the Lessee has met the commitment no later than the submission of the first FDR. The documentation must enable BOEM to objectively verify the amount of the Contribution and the beneficiary(ies) of the Contribution.

At a minimum, this documentation must include: all written agreements between the Lessee and beneficiary(ies) of the Contribution, which must detail the amount of the Contribution and how they will be used by the beneficiaries of the Contribution in order to satisfy the goals of the bidding credit for which the Contribution was made; all receipts documenting the amount, date, financial institution, and the account and owner of the account to which the Contribution was made; and sworn statements by the entity that made the Contribution and the beneficiary(ies) of the Contribution, attesting that all information provided is true and accurate in the above documentation. The documentation must describe how the funded initiative or program has advanced, or is expected to advance, U.S. floating offshore wind workforce training and/or supply chain development. The documentation must also provide qualitative and/or quantitative information that includes the estimated number of trainees or jobs supported, and/or the estimated leveraged supply chain investment resulting or

expected to result from the Contribution. The documentation must contain and elaborate on for the information specified in the conceptual strategy submitted with the BFF and must allow BOEM to objectively verify (i) the amount of the Contribution and the beneficiary(ies) of the Contribution; and (ii) compliance with the bidding credit criteria provided in Addendum “C” of the Lease. If the Lessee’s implementation strategy has changed from that in the conceptual strategy due to market needs or other factors, the Lessee must explain the changed approach. BOEM reserves the right to determine that the bidding credit has not been satisfied if changes to the Lessee’s conceptual strategy do not meet the criteria for the bidding credit described in Addendum “C” of the Lease or the BFF Addendum.

- viii. Enforcement:* The commitment for the bidding credit would be made in the BFF and would be included in a lease addendum that would bind the Lessee and all future assignees of the lease. If BOEM were to determine that a Lessee or assignee had failed to satisfy the requirements of the bidding credit, or if a Lessee were to relinquish or otherwise fail to develop the lease by the tenth anniversary date of lease issuance, the amount corresponding to the bidding credit awarded would be immediately due and payable to ONRR with interest from the date of lease execution. The interest rate would be the underpayment interest rate identified by ONRR. BOEM could, at its sole discretion, extend the documentation deadline beyond first FDR submission or the 10-year timeframe.
- c. 5 Percent Non-Monetary (Bidding) Credit for a Lease Area Use CBA:* The second bidding credit will allow a bidder to receive a credit of 5 percent of its cash bid in

exchange for an existing CBA or a commitment to enter into a new CBA with one or more communities, stakeholder groups, or Tribal entities whose use of the geographic space of the Lease Area, or whose use of resources harvested from that geographic space, is expected to be impacted by the Lessee's potential offshore wind development (hereinafter, in the context of the Lease Area Use CBA bidding credit, referred to as "impacted community"). The Lease Area Use CBA may assist fishing and related industries (including Tribal fisheries) by supporting their resilience and ability to adapt to gear changes or any potential gear loss or damage, as well as any loss of income, or other similar potential impacts that may arise from the development of the Lease Area. The Lease Area Use CBA may include payments into a special purpose fund, such as payments to support gear changes, navigation technology improvements, and other efforts to improve safety and navigation, or to compensate the fishing and related industries whose use of the geographic space of the Lease Area is impacted by the Lessee's potential offshore wind development. To qualify for the credit, the bidder will be required to commit to the requirements in the BFF Addendum and the lease, and to submit a strategy as described in the BFF Addendum. A bidder that is qualified to bid for a Lease Area and would like to qualify for the Lease Area Use CBA credit may do so with an executed CBA, even if future revisions to the CBA are necessary to comply with the conceptual strategy described in the BFF Addendum. However, in order to satisfy the requirements for this bidding credit, such bidders must ensure compliance with the conceptual strategy by the time the Lessee's first FDR is submitted.

- i.* Bidders seeking the bidding credit must submit their conceptual strategy with their BFF, further described below and in the BFF Addendum. The conceptual strategy must contain either a qualifying executed Lease Area Use CBA or a conceptual strategy describing how the bidder intends to qualify for the Lease Area Use CBA bidding credit, which can be accomplished through the execution of a new CBA or revising an already executed CBA. Bidders qualifying using a conceptual strategy must: (i) Explain how the Lessee will select or identify impacted communities with whom to enter into a Lease Area Use CBA; (ii) Describe the provisions that may be included in the Lease Area Use CBA and how the provisions mitigate potential impacts from the proposed development of the Lease Area; and (iii) Describe the process for documentation and verification that the Lease Area Use CBA has been executed according to the requirements in the BFF Addendum and the Lease. A Lessee will be required to provide documentation showing that the Lessee has met the commitment and complied with the applicable requirements no later than the submission of the Lessee's first FDR. Deferring the fulfillment of the commitment until the first FDR will enable the Lessee to identify stakeholders with impacts in need of mitigation.
- ii.* A qualifying CBA must meet the following requirements: (i) Be between the Lessee or its affiliated entity, or if appropriate, its assignee(s), and an impacted community; (ii) Specify how the impacted community's use of the Lease Area or how the impacted community's use of resources harvested from the geographic space of the Lease Area is expected to be impacted by the Lessee's

potential offshore wind development; (iii) Address impacts to the impacted community arising from lease development; (iv) Specify any monetary, material, or other benefits provided, or to be provided, by the Lessee to the impacted community, including any mitigation or other compensatory measures provided by the Lessee to the impacted community, such as the establishment of any special purpose funds and the mechanisms through which monies therein will be disbursed; (v) Indicate the commitment of the parties to collaboration and resolution of issues. This commitment may be indicated by a statement that the parties will agree to mediation, a strategy for collaboration, or other type of plan describing how the parties will collaborate or resolve issues as needed; (vi) Describe communication methods, engagement methods, or educational opportunities for the impacted community; and (vii) Specify plans (or strategies) to mitigate potential impacts from the proposed development of the Lease Area on the impacted community.

- iii.* No CBA otherwise eligible for a bidding credit may include exclusivity or preferential clauses that prevent or disincentivize an impacted community from entering into such agreements with other lessees or potential lessees.
- iv.* No portion of a CBA, fund, or agreement used for this credit may be used to meet the requirements of any other bidding credit for which the Lessee qualifies.
- v.* Lessees may execute a Lease Area Use CBA with a single entity, which may be a coalition that represents the diverse interests and inclusive needs of more than

one impacted community, or multiple entities, or multiple impacted communities, and may execute more than one Lease Area Use CBA.

- vi. Any benefits provided to the impacted community should not duplicate benefits or mitigation measures imposed on the Lessee through, or pursuant to, statutes other than OCSLA.
- vii. A bidder who receives this credit must use best efforts to provide benefits at least commensurate to the value of the bidding credit received. This may include both monetary and non-monetary benefits.
- viii. *Documentation:* If a lease is awarded pursuant to a winning bid that includes this CBA credit, the Lessee must provide written documentation to BOEM demonstrating execution of the CBA commitment no later than submission of the Lessee's first FDR. The documentation must enable BOEM to objectively verify the CBA has met all applicable requirements as outlined in the BFF Addendum and Lease. At a minimum, this documentation must include: all written agreements between the Lessee and the impacted community, including the executed Lease Area Use CBA; description of work done with impacted communities, including the monetary and non-monetary commitments that reflect the value of the bidding credit received; and sworn statements by the Lease Area Use CBA signatories or their assignees, attesting to the truth and accuracy of all the information provided in the above documentation. The documentation must contain and elaborate on the information specified in the conceptual strategy that was submitted with the BFF. If the Lessee's conceptual

strategy has changed due to market needs or other factors, the Lessee must explain this change.

- ix. Enforcement:* The commitment for the Lease Area Use Bidding Credit will be made in the BFF and will be included in a lease addendum that binds the Lessee and all assignees of the lease. If BOEM were to determine that a Lessee or assignee had failed to enter into a Lease Area Use CBA that satisfies the commitment by the Lessee's first FDR submission, or if a Lessee were to relinquish or otherwise fail to develop the lease by the tenth anniversary date of lease issuance, the amount corresponding to the bidding credit awarded will be immediately due and payable to ONRR with interest from the date of lease execution. The interest rate will be the underpayment interest rate identified by ONRR. BOEM can, at its sole discretion, extend the documentation deadline beyond the first FDR submission or the 10-year timeframe.
- d. 5 Percent Non-Monetary (Bidding) Credit for a General CBA:* The third bidding credit will allow a bidder to receive a credit of 5 percent of its cash bid in exchange for an existing CBA or a commitment to enter into a new CBA with one or more communities, Tribes, or stakeholder groups that are expected to be affected by the potential impacts on the marine, coastal, and/or human environment (such as impacts on visual or cultural resources) from activities resulting from lease development that are not otherwise addressed by the Lease Area Use CBA (hereinafter, in the context of the General CBA bidding credit, referred to as "impacted community"). The General CBA credit is designed mitigate effects from OCS energy development and promote that development by enabling greater collaboration between lessees and the

impacted communities on which the development depends. To qualify for the credit, the bidder must commit to the requirements in the BFF Addendum and the lease, and submit a strategy as described in the BFF Addendum. A bidder that is qualified to bid for a Lease Area and would like to qualify for the General CBA credit may do so with an executed CBA, even if future revisions to the CBA are necessary to comply with the conceptual strategy described in the BFF Addendum. However, in order to satisfy the requirements for this bidding credit, such bidders must ensure compliance with the conceptual strategy by the time the Lessee's first FDR is submitted.

- i.* Bidders seeking the bidding credit must submit their conceptual strategy with their BFF, further described below and in the BFF Addendum. The conceptual strategy must contain either a qualifying executed General CBA or a conceptual strategy describing how the bidder intends to qualify for the General CBA bidding credit, which can be accomplished through the execution of a new CBA or revising an already executed CBA. Bidders qualifying using a conceptual strategy must: (i) Explain how the Lessee will identify impacted communities with whom to enter into a General CBA; (ii) Describe the bidder's commitments, including the form of investments, that will be made, subject to the requirements and restrictions described above and in the BFF Addendum; (iii) Describe the provisions that will be included in the General CBA and how the provisions will address the potential impacts arising from activities performed in connection with lease development; and (iv) Describe the process for documentation and verification through which the General CBA has been executed according to the requirements in the BFF Addendum. A Lessee will be

required to provide documentation showing that the Lessee has met the commitment and complied with the applicable requirements no later than the submission of the Lessee's first FDR. Deferring the fulfillment of the commitment until the first FDR will enable the Lessee to identify impacted communities likely affected by the impacts on the marine, coastal, and/or human environment from activities resulting from lease development.

- ii.* A qualifying CBA must meet the following requirements: (i) Be between the Lessee or its affiliated entity, or, if appropriate, its assignee(s), and an impacted community; (ii) Specify how the impacted community is likely to be affected by the potential impacts on the marine, coastal, and/or human environment from activities resulting from lease development; (iii) Address impacts to the impacted community arising from lease development that are not addressed by a Lease Area Use CBA; (iv) Specify the monetary, material, or other benefits provided, or to be provided, by the Lessee to the impacted community, including any mitigation or other compensatory measures provided by the Lessee to the impacted community; (v) Indicate commitment of parties to collaboration and resolution of issues. This commitment may be indicated by a statement that the parties will agree to mediation, a strategy for collaboration, or other type of plan describing how the parties will collaborate or resolve issues as needed; (vi) Describe communication methods, engagement methods, or educational opportunities for the impacted community; and (vii) Specify plans (or strategies) to mitigate potential impacts from the proposed development of the Lease Area on the impacted community.

- iii.* No General CBA otherwise eligible for a bidding credit may include exclusivity or preferential clauses that prevent or disincentivize an impacted community from entering into such agreements with other lessees or potential lessees.
- iv.* No portion of a CBA, fund, or agreement used for this credit may be used to meet the requirements of any other bidding credit for which the Lessee qualifies.
- v.* Lessees may execute a General CBA with a single entity, which may be a coalition that represents the diverse interests and inclusive needs of more than one impacted community, or multiple entities, or multiple impacted communities, and may execute more than one General CBA.
- vi.* Any benefits provided to the impacted community should not duplicate benefits or mitigation measures imposed on the Lessee through, or pursuant to, statutes other than OCSLA. For example, such benefits could include: (i) Contributions to a community benefit fund whose purpose is to provide funds for infrastructure to impacted communities to alleviate impacts from the Lessee's project; (ii) Increased support to facilitate engagement in the process through which the lease will be developed; and (iii) Mitigating potential impacts to cultural viewsheds or potential impacts on marine and land species that are of significance to Tribal culture or impacted communities.
- vii.* A bidder who receives this credit must use best efforts to provide benefits at least commensurate to the value of the bidding credit received. This may include both monetary and non-monetary benefits.

- viii. Documentation:* If a lease is awarded pursuant to a winning bid that includes this CBA credit, the Lessee must provide written documentation to BOEM demonstrating execution of the CBA commitment no later than submission of the Lessee's first FDR. The documentation must enable BOEM to objectively verify the CBA has met all applicable requirements as outlined in the BFF Addendum and lease. At a minimum, this documentation must include: all written agreements between the Lessee and beneficiary(ies), including the executed CBA; description of work done with impacted communities to reach monetary and non-monetary commitments that reflect the value of the bidding credit received; and sworn statements by the CBA signatories or their assignees attesting to the truth and accuracy of all the information provided in the above documentation. The documentation must contain and elaborate on the information specified in the conceptual strategy that was submitted with the BFF. If the Lessee's conceptual strategy has changed due to market needs or other factors, the Lessee must explain this change.
- ix. Enforcement:* The commitment for the General CBA Bidding Credit will be made in the BFF and will be included in a lease addendum that binds the Lessee and all assignees of the lease. If BOEM were to determine that a Lessee or assignee had failed to enter into a General CBA that satisfies the commitment by the Lessee's first FDR submission, or if a Lessee were to relinquish or otherwise fail to develop the lease by the tenth anniversary date of lease issuance, the amount corresponding to the bidding credit awarded will be immediately due and payable to ONRR with interest from the date of lease

execution. The interest rate will be the underpayment interest rate identified by ONRR. BOEM can, at its sole discretion, extend the documentation deadline beyond the first FDR submission or the 10-year timeframe.

- e. *The Auction:* Using an online bidding system to host the auction, BOEM will start the bidding for Leases OCS-P 0561 through 0565, as described below. All five of the Lease Areas will be offered in a single auction, and there will be no distinction made between Lease Areas in the Humboldt WEA and the Morro Bay WEA within the auction process. Each bidder may only bid for one of the offered Lease Areas at a time and, ultimately, acquire only one of the Lease Areas in the auction.

Lease Area ID	Acres	Minimum Bid
OCS-P 0561	63,338	\$6,333,800
OCS-P 0562	69,031	\$6,903,100
OCS-P 0563	80,062	\$8,006,200
OCS-P 0564	80,418	\$8,041,800
OCS-P 0565	80,418	\$8,041,800
<i>Total</i>	<i>373,268</i>	

- f. *Live Bids:* The auction will be conducted in a series of rounds. At the start of each round, BOEM will state an asking price for each Lease Area. If a bidder is willing to meet that asking price for one of the Lease Areas, it will indicate its intent by submitting a bid equal to the asking price for the selected lease area. A bid at the full asking price is referred to as a “live bid.” If the bidder has qualified for a non-monetary credit, it will meet the asking price by submitting a multiple-factor bid—that is, a live bid that consists of a monetary (cash) element and a non-monetary credit (5%, 10%, 20%, 25%, or 30% of the cash element, depending on the bidder’s qualification for bidding credits), the sum of which equals the asking price. Bidders without a non-monetary credit will submit a cash bid equal to the

asking price. To participate in the next round of the auction, a bidder is required to have submitted a live bid for one of the Lease Areas (or have a carried-forward bid) in each previous round.

As long as there are two or more live bids (including carried-forward bids) for at least one of the Lease Areas, the auction moves to the next round. BOEM will raise the asking price for each Lease Area that received two or more live bids in the previous round. Asking price increments will be determined based on several factors, including, but not necessarily limited to, the expected time needed to conduct the auction and the number of rounds that have already occurred. BOEM reserves the right to increase or decrease bidding increments as it deems appropriate. If there was only one live bid (including carried-forward bids) or no live bids for a Lease Area in the previous round, the asking price would not be increased.

A live bid would automatically be carried forward if it was uncontested in the previous round (*i.e.*, if it was the only live bid for that Lease Area in the previous round), and the bidder who placed the uncontested bid would not be permitted to place any other bid in the current round of the auction.

Conversely, if a live bid was contested in the previous round (*i.e.*, if there was at least one other live bid for the same Lease Area, including carried-forward bids), the bidder who placed the contested bid would be free to bid on any Lease Area in the auction in the next round, at the new asking price.

A bidder's eligibility is for either one or zero lease areas and corresponds to the maximum number of lease areas that a bidder may include in a live bid during a single round of the auction.

If a bidder decides to stop bidding before the final round of the auction, there are circumstances in which the bidder could nonetheless win a lease. For example, that bidder could be ultimately selected in the winner determination that is described in detail below, or the provisionally winning bidder could be disqualified at the award stage of the auction. In these circumstances, the bidder will be bound by its bid and thus obligated to pay the full bid amount. Bidders therefore might be bound by any of their bids up to and until the point at which the auction results are finalized.

Between rounds, BOEM will disclose to all bidders that submitted bids:

- (1) the number of live bids (including carried-forward bids) for each Lease Area in the previous round of the auction (*i.e.*, the level of demand at the asking price); and
- (2) the asking price for each Lease Area in the upcoming round of the auction.

g. *Exit Bids*: In any round after the first round, a bidder may submit an “exit bid” (also known as an “intra-round bid”) only for the same Lease Area as the bidder’s contested live bid in the previous round. An exit bid is a bid that is greater than the previous round’s asking price, but less than the current round’s asking price. An exit bid is not a live bid, and it represents the final bid that a bidder may submit in the auction. A bidder may not submit both an exit bid on one of the Lease Areas and a live bid on a different Lease Area. During the auction, the exit bid can be seen only by BOEM and not by other bidders.

The auction ends when a round occurs in which each of the Lease Areas in the auction receives one or zero live bids (including carried-forward bids), regardless of the number of exit bids on any Lease Area.

h. *Determination of Provisional Winners:* After the bidding ends, BOEM will determine the provisionally winning bid for each Lease Area by the following two-stage procedure.

In stage one, the highest bid (live bid or exit bid) received for each Lease Area in the final round will be designated the provisionally winning bid, if there is a single highest bid. In the event of a tie (*i.e.*, if two or more bidders submitted identical highest exit bids for the same Lease Area), the selection of one of the highest exit bids will be deferred until stage two.

In stage two, BOEM will consider bids from all bidding rounds for Lease Areas that were not assigned in stage one made by bidders who were not assigned a Lease Area in stage one. BOEM will select the combination of such bids that maximizes the sum of the bid amounts of the selected bids, subject to the following constraints: (1) each Lease Area that received multiple highest exit bids in the final round (but no live bid) must be assigned to one of the bidders that submitted the highest exit bid; (2) at most one bid from each bidder can be selected; and (3) at most one bid for each Lease Area can be selected. If there is a unique combination of bids that solves this maximization problem, then these bids will be deemed to be the remaining provisionally winning bids. If two or more combinations of bids tie by producing the same maximized sum of bid amounts, the auction system will select one of the combinations by use of pseudorandom numbers. The provisional winners will pay the amounts of their provisionally winning bids, or risk forfeiting their bid deposits. A provisional winner will be disqualified if it is subsequently found to have violated auction rules or BOEM regulations, or otherwise engaged in conduct

detrimental to the integrity of the competitive auction. If a bidder submits a bid that BOEM determines to be a provisionally winning bid, the bidder must sign the applicable lease documents, establish financial assurance, and submit the cash balance (if any) of its bid (*i.e.*, its winning cash bid less its bid deposit) within 10 business days of receiving the lease copies, pursuant to 30 CFR 585.224. BOEM reserves the right not to issue the lease to a provisionally winning bidder if that bidder fails to: timely return the signed lease form, establish adequate financial assurance, pay the balance of its winning bid, or otherwise comply with applicable regulations or the terms of the FSN. In that case, the bidder would forfeit its bid deposit.

BOEM will publish the provisional winners and the provisionally winning bid amounts shortly after the conclusion of the sale. Full bid results, including round-by-round results of the entire sale, including exit bids, will be published on BOEM's website after review of the results and announcement of the provisional winners.

i. Additional Information Regarding the Auction Format:

- i. Authorized Individuals and Bidder Authentication:* A company that is eligible to participate in the auction will identify on its BFF up to three individuals who would be authorized to bid on behalf of the company, including their names, business telephone numbers, and email addresses. After BOEM has processed the bid deposits, the auction contractor will send several emails to the authorized individuals. The emails will contain user login information and instructions for accessing the bidder manual for the auction system and any auction system technical supplement (ASTS) that may be issued.

The auction system will require software tokens for two-factor authentication. To set up the tokens, authorized individuals will download an app onto their smartphone or tablet with a recent operating system. One of the emails sent to authorized individuals will contain instructions for installing the app and the credentials needed to activate the software token. A short telephone conversation with the auction contractor may also be required to use the credentials. The login information, along with the tokens, will be tested during the mock auction. If an eligible bidder fails to submit a bid deposit or does not participate in the auction, BOEM will deactivate that bidder's tokens and login information.

ii. *Timing of Auction:* The auction will begin at 10:00 a.m. EST on December 6, 2022. Bidders may log in as early as 9:30 a.m. EST on that day. BOEM recommends that bidders log in earlier than 10:00 a.m. EST on that day to ensure that any login issues are resolved prior to the start of the auction. Once bidders have logged in, they should review the auction schedule, which lists the anticipated start times, end times, and recess times of each round in the auction. Each round is structured as follows:

- Round bidding begins;
- Bidders enter their bids;
- Round bidding ends and the recess begins;
- During the recess, previous round results and next round asking prices are posted;

- Bidders review the previous round results and prepare their next round bids; and
- Next round bidding begins.

The first round will last about 30 minutes, though subsequent rounds will be substantially shorter. Recesses are anticipated to last approximately 10 minutes. This description of the auction schedule is tentative. Bidders should consult the auction schedule on the auction system during the auction for updated times. Bidding will continue until about 6:00 p.m. EST each day. BOEM anticipates that the auction will last one to two business days, but may continue for additional business days as necessary until the auction has concluded.

iii. Messaging service: BOEM and the auction contractors will use the auction platform messaging service to keep bidders informed on issues of interest during the auction. For example, BOEM may change the schedule at any time, including during the auction. If BOEM changes the schedule during an auction, it will use the messaging feature to notify bidders that a revision has been made and will direct bidders to the relevant page. BOEM will also use the messaging system for other updates during the auction.

Bidders may place bids at any time during the round. At the top of the bidding page, a countdown clock shows how much time remains in the round. Bidders have until the end of the round to place bids. Bidders should place bids according to the procedures described in this notice and the Bidder Manual. Information about the round results will only be made available after the round

has closed, so there is no strategic advantage to placing bids early or late in the round.

BOEM may issue an ASTS to elaborate on the auction procedures described in this FSN. In the event of any inconsistency between the Bidder Manual, the ASTS, and the FSN, the FSN will be controlling.

- iv. *Alternate Bidding Procedures:* Redundancy is the most effective way to mitigate technical and human issues during an auction. Bidders should strongly consider authorizing more than one individual to bid in the auction—and confirming during the mock auction that each individual is able to access the auction system. A 4G card or other form of wireless access is helpful in case a company’s main internet connection should fail. As a last resort, an authorized individual facing technical issues may request to submit its bid by telephone. In order to be authorized to place a telephone bid, an authorized individual must call the help desk number listed in the auction manual *before* the end of the round. BOEM will authenticate the caller’s identity, including requiring the caller to provide a code from the software token. The caller must also explain the reasons why a telephone bid needs to be submitted. BOEM may, in its sole discretion, permit or refuse to accept a request for the placement of a bid using this alternate telephonic bidding procedure.
- j. *Prohibition on Communications Between Bidders During Auction:* During the auction, bidders are prohibited from communicating with each other regarding their participation in the auction. Also, during the auction, bidders are prohibited from communicating to the public regarding any aspect of their participation or

lack thereof in the auction, including, but not limited to, through social media, updated websites, or press releases.

XIV. Post-Auction Procedures

a. Rejection or Non-Acceptance of Bids

BOEM reserves the right to reject any and all bids that do not satisfy the requirements and rules of the auction, the FSN, or applicable regulations and statutes.

b. Anti-Competitive Review

Bidding behavior in this sale is subject to Federal antitrust laws. Following the auction, but before the acceptance of bids and the issuance of the lease, BOEM will “allow the Attorney General, in consultation with the Federal Trade Commission, thirty days to review the results of [the] lease sale.” 43 U.S.C. 1337(c)(1). If a provisionally winning bidder is found to have engaged in anti-competitive behavior in connection with this lease sale, BOEM will reject its provisionally winning bid. Compliance with BOEM’s auction procedures and regulations is not an absolute defense to violations of antitrust laws.

Anti-competitive behavior determinations are fact-specific. Such behavior may manifest itself in several different ways, including, but not limited to:

1. An express or tacit agreement among bidders not to bid in an auction, or to bid a particular price;
2. An agreement among bidders not to bid;
3. An agreement among bidders not to bid against each other; or
4. Other agreements among bidders that have the potential to affect the final auction price.

Pursuant to 43 U.S.C. 1337(c)(3), BOEM will decline to award a lease if the Attorney General, in consultation with the Federal Trade Commission, determines that awarding the lease would be inconsistent with antitrust laws.

For more information on whether specific communications or agreements could constitute a violation of Federal antitrust law, please see

<https://www.justice.gov/atr/business-resources> or consult legal counsel.

c. Process for Issuing the Lease

Once all post-auction reviews have been completed to BOEM's satisfaction, BOEM will provide three unsigned copies of the lease to each provisionally winning bidder. Within 10 business days after receiving the lease copies, the provisionally winning bidders must:

1. Sign and return the lease copies on the bidder's behalf;
2. File financial assurance, as required under 30 CFR 585.515–537; and
3. Pay by electronic funds transfer (EFT) the balance (if any) of the bonus bid (winning monetary bid less the applicable non-monetary bidding credit and bid deposit). BOEM requires bidders to use EFT procedures (not *pay.gov*, the website bidders used to submit bid deposits) for payment of the balance of the bonus bid, following the detailed instructions contained in the “Instructions for Making Electronic Payments” available on BOEM's website at: <https://www.boem.gov/renewable-energy/state-activities/eft-payment-instructions-ca>.

BOEM will not execute the lease until the three requirements above have been satisfied, BOEM has accepted the provisionally winning bidder's financial assurance

pursuant to 30 CFR 585.515, and BOEM has processed the provisionally winning bidder's payment. BOEM may extend the 10-business-day deadline for signing a lease, filing the required financial assurance, and paying the balance of the bonus bid if BOEM determines, in its sole discretion, that the provisionally winning bidder's inability to comply with the deadline was caused by events beyond the provisionally winning bidder's control pursuant to 30 CFR 585.224(e).

If a provisionally winning bidder does not meet these requirements or otherwise fails to comply with applicable regulations or the terms of the FSN, BOEM reserves the right not to issue the lease to that bidder. In such a case, the provisionally winning bidder will forfeit its bid deposit. Also, in such a case, BOEM reserves the right to identify the next highest bid for that Lease Area submitted during the lease sale by a bidder who has not won one of the other Lease Areas and to offer the lease to that bidder pursuant to its bid.

Within 45 calendar days of the date that a provisionally winning bidder receives lease copies, each provisionally winning bidder will be required to pay the first year's rent using the "ONRR Renewable Energy Initial Rental Payments" form available at: <https://www.pay.gov/public/form/start/27797604/>.

Subsequent annual rent payments will be required to be made following the detailed instructions contained in the "Instructions for Making Electronic Payments," available on BOEM's website at: <https://www.boem.gov/renewable-energy/state-activities/california>.

d. Non-Procurement Debarment and Suspension Regulations

Pursuant to 43 CFR part 42, subpart C, an OCS renewable energy Lessee will be required to comply with the Department of the Interior's non-procurement debarment and suspension regulations at 2 CFR parts 180 and 1400. The Lessee must also communicate this requirement to persons with whom the Lessee does business relating to this lease by including this requirement as a condition in their contracts and other transactions.

e. Changes to Auction Details

The Regional Director of BOEM's Pacific Regional Office has the discretion to change any auction detail specified in the FSN, including the date and time, if s/he deems that events outside BOEM's control may interfere with a fair and proper lease sale. Such events may include, but are not limited to, natural disasters (*e.g.*, earthquakes, hurricanes, floods, and blizzards), wars, riots, act of terrorism, fire, strikes, civil disorder, Federal Government shutdowns, cyberattacks against relevant information systems, or other events of a similar nature. In case of such events, BOEM would notify all qualified bidders via email, phone, and BOEM's website at: <https://www.boem.gov/renewable-energy/state-activities/california>. Bidders should call (703) 787-1121 if they have concerns.

f. Withdrawal of Blocks

BOEM reserves the right to withdraw all or portions of the Lease Areas prior to executing the leases with the winning bidders. If BOEM exercises this right, it will refund bid deposits to winning bidders, without interest, as provided in 30 CFR 585.224(f).

g. Appeals

The bid rejection procedures are provided in BOEM's regulations at 30 CFR 585.225 and 585.118(c). Under 30 CFR 585.225:

- (a) If BOEM rejects your bid, BOEM will provide a written statement of the reasons and will refund any money deposited with your bid, without interest.
- (b) You will then be able to ask the BOEM Director for reconsideration, in writing, within 15 business days of bid rejection, under 30 CFR 585.118(c)(1). The Director will send you a written response either affirming or reversing the rejection.

The procedures for requesting reconsideration of a bid rejection are described in 30 CFR 585.118(c).

h. Protection of Privileged or Confidential Information

BOEM will protect privileged or confidential information that the Lessee submits, as authorized by the Freedom of Information Act (FOIA), 30 CFR 585.113, or other applicable statutes. If the Lessee wishes to protect the confidentiality of information, the Lessee should clearly mark it "Contains Privileged or Confidential Information" and consider submitting such information as a separate attachment. BOEM will not disclose such information, except as required by FOIA. If your submission is requested under the FOIA, your information will only be withheld if a determination is made that one of the FOIA's exemptions to disclosure applies. Such a determination will be made in accordance with the Department's FOIA regulations and applicable law. Labeling information as privileged or confidential will alert BOEM to more closely scrutinize whether it warrants withholding. Further, BOEM

will not treat as confidential aggregate summaries of otherwise nonconfidential information.

XV. Compliance with the Inflation Reduction Act (Public Law No. 117-169 (Aug. 16, 2022))(hereinafter, the “IRA”):

Section 50265(b)(2) of the IRA provides that “[d]uring the 10-year period beginning on the date of enactment of this Act... the Secretary may not issue a lease for offshore wind development under section 8(p)(1)(C) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(p)(1)(C)) unless— (A) an offshore lease sale has been held during the 1-year period ending on the date of the issuance of the lease for offshore wind development; and (B) the sum total of acres offered for lease in offshore lease sales during the 1-year period ending on the date of the issuance of the lease for offshore wind development is not less than 60,000,000 acres.” Section 50264(d) of the IRA provides that “...not later than March 31, 2023, the Secretary shall conduct Lease Sale 259[.]” Conducting Lease Sale 259 is needed for BOEM to satisfy the requirements in section 50265(b)(2) of the IRA and issue the leases resulting from this lease sale. Notwithstanding the foregoing, nothing in the IRA prevents BOEM from holding this auction.

AUTHORITY: 43 U.S.C. 1337(p); 30 CFR 585.211 and 585.216.

Amanda Lefton,
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