April 15, 2012

The Honorable Dave Camp
Chairman
House Committee on Ways & Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Sander Levin
Ranking Member
House Committee on Ways & Means
1106 Longworth House Office Building
Washington, DC 20515

Dear Chairman Camp and Ranking Member Levin:

Thank you for giving us the opportunity to provide comments as you consider comprehensive tax reform in the 113th Congress.

Xcel Energy is an investor-owned electricity and natural gas company with regulated operations in eight Midwestern and Western states. Based in Minneapolis, Minnesota, we provide a comprehensive portfolio of energy-related products and services through our four wholly-owned utility subsidiaries.

Our electric generation fleet includes coal, natural gas, nuclear, hydro, and renewable energy. We are the nation's leading provider of wind power to retail customers, with over 5,000 megawatts of owned and purchased power on our system.

We associate ourselves with the comments submitted to the committee by the Edison Electric Institute on April 15, 2013, which details important tax reform priorities for our industry including tax deductibility of interest expense, normalization, excess deferred taxes, and dividend tax rates.

We would like to focus our comments on the future of renewable energy tax incentives, especially regarding the policy and operational challenges faced by utilities that are integrating significant portions of renewable energy onto their systems.

We are strongly supportive of the Consumer Renewable Credit (CRC), bipartisan legislation, a version of which has been introduced in both the House and Senate for the last two congresses. This legislation (attached) would provide a powerful demand-side incentive for utilities to diversify their generation portfolios by adding wind and solar.

This proposal fits well within your goals for comprehensive tax reform because it is designed to be a net revenue raiser for the federal treasury, it redirects a portion of existing renewables incentives to better target consumers, and it promotes an "all of the above" energy policy that will result in the building of more cost-effective wind and solar generation.

The CRC provides a tax credit for investor-owned utilities to help offset growing renewable energy integration costs and incentivize additional clean energy generation. Because wind and solar, unlike fossil generation, are intermittent sources of power,

utilities and their ratepayers face operational costs to keep the system balanced at all times.

Because utilities with varying organizational structures face the same challenges in this arena, the bill also provides a direct payment for non-taxable entities like municipalities, cooperatives, and power marketing administrations.

The credit increases as higher penetrations of wind and solar are achieved and flows directly to electric utilities and their ratepayers.

The cost of the CRC is fully offset by eliminating the wind energy production tax credit's (PTC) inflation adjustment for wind facilities placed in service in 2013. For example, a new project would receive the PTC's full value for ten years, with no increases for inflation. Because this offset is greater than the cost of the Consumer Renewable Credit, the end result would be a net savings to the federal Treasury.

The Consumer Renewable Credit has been endorsed by a diverse coalition that spans the political spectrum that includes business, labor, and environmental groups as well as utilities, wind developers, and think tanks.

Thank you for your efforts to develop urgently-needed comprehensive tax reform. We appreciate your consideration of the Consumer Renewable Credit and look forward to continuing to work with you.

Sincerely,

John O'Donnell
Vice President, Federal Affairs
Xcel Energy

Consumer Renewable Credit For Renewable Electricity

Legislative Language

To amend the Internal Revenue Code of 1986 to add a consumer renewable credit for utilities that sell intermittent renewable power.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. MODIFICATION OF RENEWABLE ENERGY PRODUCTION TAX CREDIT.-- Section 45 is amended by adding, at the end of Paragraph (4) of Subsection (b), a new Subparagraph (C) as follows –

`(C) Wind facilities placed in service after May 31, 2013.— For facilities using wind to produce electricity that are placed in service after May 31, 2013, notwithstanding other provisions of this section, the credit inflation adjustment under Paragraph (2) shall not apply, and for purposes of subsection (a)(1), "2.2 cents" shall be substituted for "1.5 cents."'.

SECTION 2. CONSUMER RENEWABLE CREDIT.

(a) Business Credit-

(1) IN GENERAL- Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

`SEC. 45S. CONSUMER RENEWABLE CREDIT.

`(a) General Rule- For purposes of section 38, in the case of an eligible taxpayer, the consumer renewable credit for any taxable year is an amount equal to the product of--

`(1) the renewable portfolio factor of such eligible taxpayer, and

`(2) the number of kilowatt hours of renewable electricity--

`(A) purchased or produced by such taxpayer, and

`(B) sold by such taxpayer to a retail customer during the taxable year.

`(b) Renewable Portfolio Factor- The renewable portfolio factor for an eligible taxpayer shall be determined as follows:

Renewable electricity percentage

Less than 4 percent	zero cents
At least 4 percent but less than 8 percent	0.1 cents
At least 8 percent but less than 12 percent	0.2 cents
At least 12 percent but less than 16 percent	0.3 cents
At least 16 percent but less than 20 percent	0.4 cents
At least 20 percent but less than 24 percent	0.5 cents
Equal to or greater than 24 percent	0.6 cents

`(c) Definitions and Special Rules- For purposes of this section--

`(1) ELIGIBLE TAXPAYER- The term `eligible taxpayer' means an electric utility (as defined in section 3(22) of the Federal Power Act, 16 U.S.C. 796(22)).

`(2) RENEWABLE ELECTRICITY- The term `renewable electricity' means electricity generated by –

(i) any facility using wind to generate such electricity, or

(ii) any facility using solar energy to generate such electricity.

`(3)RENEWABLE ELECTRICITY PERCENTAGE- The term `renewable electricity percentage' means the percentage of an eligible taxpayer's total sales of electricity to retail customers that is derived from renewable electricity (determine without regard to whether such electricity was produced by the taxpayer).

`(4) APPLICATION OF OTHER RULES- For purposes of this section, rules similar to the rules of paragraphs (1), (3), and (5) of section 45(e) shall apply.

`(5) CREDIT ALLOWED ONLY WITH RESPECT TO 1 ELIGIBLE ENTITY- No credit shall be allowed under subsection (a) with respect to renewable electricity purchased from another eligible entity if a credit has been allowed under this section or a payment has been made under section 6433 to such other eligible entity.

`(d) Coordination With Payments- The amount of the credit determined under this section with respect to any electricity shall be reduced to take into account any payment provided with respect to such electricity solely by reason of the application of section 6433.'.

(2) CREDIT MADE PART OF GENERAL BUSINESS CREDIT- Subsection (b) of section 38 of the Internal Revenue Code of 1986 is amended by striking `plus' at the end of paragraph (35), by striking the period at the end of paragraph (36) and inserting `, plus', and by adding at the end the following new paragraph:

`(37) the consumer renewable credit determined under section 45S(a).'.

(3) SPECIFIED CREDIT- Subparagraph (B) of section 38(c)(4) of the Internal Revenue Code of 1986 is amended by redesignating clauses (vii) through (ix) as clauses (viii) through (x), respectively, and by inserting after clause (v) the following new clause:

`(vi) the credit determined under section 45S.'.

(4) CLERICAL AMENDMENT- The table of sections for subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

`Sec. 45S. Consumer renewable credit.'.

`(e) Effective date. The credit allowed under this section shall apply to electricity produced or purchased after December 31, 2012 and before January 1, 2023.'.

(b) Payments in Lieu of Credit-

(1) IN GENERAL- Subchapter B of chapter 65 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

`SEC. 6433. CONSUMER RENEWABLE CREDIT PAYMENTS.

`(a) In General- If any eligible person sells renewable electricity to a retail customer, the Secretary shall pay (without interest) to any such person who elects to receive a payment an amount equal to the product of--

`(1) the renewable portfolio factor of such eligible person, and

`(2) the number of kilowatt hours of renewable electricity--

`(A) purchased or produced by such person, and

`(B) sold by such person in the trade or business of such person to a retail customer.

`(b) Timing of Payments-

`(1) IN GENERAL- Except as provided in paragraph (2), rules similar to the rules of section 6427(i)(1) shall apply for purposes of this section.

`(2) QUARTERLY PAYMENTS-

`(A) IN GENERAL- If, at the close of any quarter of the taxable year of any person, at least $750 is payable in the aggregate under subsection (a), to such person with respect to electricity purchased or produced during--

`(i) such quarter, or

`(ii) any prior quarter (for which no other claim has been filed) during such taxable year,

a claim may be filed under this section with respect to such electricity.

`(B) TIME FOR FILING CLAIM- No claim filed under this paragraph shall be allowed unless filed on or before the last day of the first quarter following the earliest quarter included in the claim.

`(c) Definitions and Special Rules- For purposes of this section--

`(1) ELIGIBLE PERSON- The term `eligible person' means an electric utility (as defined in section 3(22) of the Federal Power Act, 16 U.S.C. 796(22)) or a Federal power marketing agency as defined in section 3 (19) of the Federal Power Act.

`(2) OTHER DEFINITIONS- Any term used in this section which is also used in section 45S shall have the meaning given such term under section 45S.

`(3) APPLICATION OF OTHER RULES- For purposes of this section, rules similar to the rules of paragraphs (1) and (3) of section 45(e) shall apply.

`(4) PAYMENT ALLOWED ONLY WITH RESPECT TO 1 ELIGIBLE ENTITY- No payment shall be allowed under subsection (a) with respect to renewable electricity purchased from another eligible entity if a credit has been allowed under section 45S or a payment has been made this section to such other eligible entity with respect to such electricity.

`(d) Payment Disallowed Unless Amount Passed to Third Party Generators Charged for Integration Costs-

`(1) IN GENERAL- In the case of renewable electricity eligible for the payment under subsection (a) that is purchased and not produced by an eligible person, no payment shall be made under this section unless any charge the eligible person has assessed the seller to recover the integration costs associated with such electricity has been reduced (but not below zero) to the extent of the payment received under subsection (a) associated with such electricity.

`(2) DEFINITIONS- For purposes of paragraph (1), charges intended to recover integration costs do not include amounts paid by the producer of the electricity for interconnection facilities, distribution upgrades, network upgrades, or stand-alone network upgrades as those terms have been defined by the Federal Energy Regulatory Commission in its Standard Interconnection Procedures.'.

(2) CLERICAL AMENDMENT- The table of sections for subpart B of chapter 65 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

`Sec. 6433. Renewable electricity integration payments.

`(e) Payment allowed for Special Generating and Transmitting Utilities.

`(1) Notwithstanding subsection (a)(1)(B), an entity that is a special generating and transmitting utility shall be eligible for a payment under this section regardless of whether such utility purchased or sold renewable electricity for its customers.

`(2) For purposes of this section, a special generating and transmitting utility is defined as –

(A) An entity that is primarily a generation and transmission utility and

(i) whose peak renewable electricity transmission load is at least 25 percent of its transmission capacity; and

(ii) which transmits the majority of renewable electricity on its transmission system to customers located out of the region served by such generation and transmission utility; or

(B) An entity that is a generation and transmission cooperative, which engages primarily in providing wholesale electric service to its members, generally consisting of distribution cooperatives.'.

(c) Effective Date- The amendments made by this section shall apply to electricity produced or purchased after December 31, 2012 and before January 1, 2023.'