April 15, 2013

The Honorable Kevin Brady
United States House of Representatives
301 Cannon House Office Building
Washington, DC 20515

The Honorable Mike Thompson
United States House of Representatives
231 Cannon House Office Building
Washington, DC 20515

Dear Congressmen Brady and Thompson:

Thank you for the opportunity to provide comments relating to Comprehensive Tax Reform. We are particularly concerned with the impacts of extending the production tax credit for wind energy. Please accept the attached comments endorsed by residents and property owners of the State of Rhode Island. We represent a small subset of the hundreds of Rhode Islanders who have been directly harmed by federal policy that subsidizes wind energy development regardless of where it is sited or the time of day and year when it produces electricity.

In the final hours of the 2012 fiscal cliff negotiations, the now 20-year old wind production tax credit was again granted a 1-year extension at the estimated cost of $12 billion[1]. This move was done behind closed doors, without debate or opportunity for amendment and no obligation of the Congress to find a way to pay for it.

With this extension, a critical change to the PTC was also introduced that relaxed the eligibility requirements. Wind energy projects now need only 'commence construction' by January 1, 2014 to qualify for the credit. David Burton, partner at Akin Gump Strauss Hauer & Feld, has stated that developers who plan well and bank enough 2013 PTC-eligible component parts, ***"may be able to continue to construct PTC-eligible wind farms indefinitely*[2]."** This particular form of regulatory 'gaming' would encumber taxpayers with subsidy obligations for projects that may not go into production for many years after the PTC provision has expired.

While public policy has helped the emerging renewables market, there is a growing realization that the subsidy has outlived its usefulness and may be harmful in its current form[3,4]. The wind industry insists the PTC is an effective tool to keep electricity rates low. In fact, it is nothing more than a cost imposed on all taxpayers in order to accommodate development of a politically well-connected, high-priced, low-value resource that cannot meet our electric capacity needs.

For the reasons cited in the attached comments, we strongly encourage Congress to let the wind PTC expire. The industry has had ample notice and can take the steps necessary to address the revenue shortfall.

Respectfully,
Michael and Maggie Delia

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[1] The IRS has since increased the PTC to 2.3¢/kWh which puts the extension at nearly $13 billion.

[2] North American Windpower, *Post-PTC Extension, Wind Energy Developers Face New Questions*, http://www.nawindpower.com/e107_plugins/content/content.php?content.10917#.UTtZSVec1NQ (Jan 3, 2013).

[3] Jenevein, P. *Wind-Power Subsidies? No Thanks,* Wall Street Journal (April 2, 2013) http://www.windaction.org/opinions/37929

[4] Elsberg, P. Spokesperson for Exelon stated "the PTC is no longer needed and distorts competitive wholesale energy markets causing financial harm to other, more reliable clean energy sources." http://www.governorswindenergycoalition.org/?p=3323

U.S. House of Representatives
Committee on Ways and Means
Comprehensive Tax Reform
COMMENTS: ENERGY TAX REFORM WORKING GROUP

<u>Comments Submitted for the Record - April 15, 2013</u>

The undersigned residents and property owners of the State of Rhode Island respectfully submit these comments regarding the Energy Production Tax Credit (PTC) for wind energy.

Executive Summary: The PTC is often credited for most of the growth in the wind sector but attributing market activity to the subsidy is overly simplistic and fails to consider other crucial factors driving development. When evaluated against key economic and environment criteria, the cost of the subsidy has proven excessive and the benefits to American taxpayers minimal. If the PTC were to expire, the economics of the industry would shift to States with renewable mandates. Power markets will ultimately confront the real cost of wind energy, and price it accordingly. The overall impact on the industry would be far less severe than proponents claim[5].

1. **Wind is a mature industry – it's time for it to stand on its own**. The Joint Committee on Taxation reports that between 1992 and 2015[6], the cumulative cost of the PTC, without extension, will be approximately $17 billion with the bulk of this claimed by wind resources constructed since 2006. This figure does not include the more than $12 billion associated with the recent 1-year extension of the PTC. These costs are in addition to the anticipated $22.6 billion in direct cash outlays under the Section 1603 grant program now expired. Yet, after decades of government support of multiple kinds, the wind industry remains economically unviable.

2. **The wind-sector slow-down is not tied to the end of the PTC**. The wind industry insists it's at risk of a slow-down without the PTC and jobs will be lost. But this view ignores crucial factors driving development in the United States. Demand for wind has eroded, in part, due to states meeting their renewable mandates. Lower natural gas prices have further reduced wind's attractiveness as a 'fuel saver'. Faced with these market conditions, wind developers are tabling projects. The Energy Information Administration[7] now forecasts flat growth in the wind sector for this decade regardless of what happens with the PTC.

3. **Wind energy is costly, and government efforts to offset the cost distort the markets.** Wholesale power contract prices for onshore wind are roughly two- to three- times the price of more reliable generation, making wind one of the most expensive power sources in the U.S. even after the PTC is factored in. The PTC offsets the high price of wind energy, giving the false impression that wind is competitive with other resources, but at 2.3¢/kWh, the subsidy's pre-tax value (more than 3.5¢/kWh) equals, or exceeds the wholesale price of power in

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[5] Linowes et.al. 2012 Congressional Testimony http://science.house.gov/hearing/subcommittee-investigation-and-oversight-subcommittee-energy-and-environment-%E2%80%93-joint-hearing

[6] M. Sherlock Testimony, April 2012. http://science.house.gov/sites/republicans.science.house.gov/files/documents/hearings/HHRG-112-SY21-WState-MSherlock-20120419.pdf

[7] Energy Information Administration. *EIA Reference case for wind energy*, June 2012. http://www.eia.gov/oiaf/aeo/tablebrowser/#release=AEO2012&subject=0-AEO2012&table=16-AEO2012&region=0-0&cases=ref2012-d020112c

much of the country. The size of the subsidy relative to wholesale prices is distorting competitive wholesale energy markets and harming the financial integrity of other, more reliable generation[8].

4. **The industry's job-creation claim is based on one-sided, simplistic modeling**. The wind industry insists the PTC enables American jobs but ignores potential jobs that would be created given alternative spending of federal funds. Further, industry job forecasts fail to report on the more important *net* job creation. In states like Vermont, government models have shown that above-market energy costs tied to renewables reduce any positive employment impacts of renewable energy capital investment[9]. This is without taking into account additional costs associated with wind-related transmission build-out and grid integration costs associated with wind energy's intermittency.

[8] Northbridge Group, *Negative Electricity Prices and the Production Tax Credit*. September 2012. http://www.nbgroup.com/publications/Negative_Electricity_Prices_and_the_Production_Tax_Credit.pdf

[9] Vermont Department of Public Service, *The Economic Impacts of Vermont Feed in Tariffs*. December 2009. http://publicservice.vermont.gov/planning/DPS%20White%20Paper%20Feed%20in%20Tariff.pdf

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