



Submitted Testimony of the Foundation Windpower, LLC
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I am John Pimentel, President of Foundation Windpower, LLC (FWP). I submit this testimony on behalf of FWP.

Background on Foundation Windpower

Foundation Windpower, LLC—with offices in Menlo Park and San Francisco, California—builds wind turbine generators on-site at business locations facing large energy demand, high energy costs and increasingly strict emissions limitations. We finance, build, and maintain our turbines at no capital cost to our customers, and help our customers control costs by selling the electricity generated by the turbines directly to them at prices typically below utility rates. Our customers include mines, quarries, distribution centers, agricultural processing facilities, water treatment facilities, and other large energy users looking to control and reduce energy costs through renewable generation.

Current Law Allows Market Participants the Freedom to Choose Between ITC and PTC and Promotes Technology-Neutral Competition

Internal Revenue Code Section 45 provides for a Production Tax Credit (PTC) for all wind projects placed in service through 12/31/2012. Internal Revenue Code Section 48 also allows companies, in lieu of the PTC, to claim a 30% Investment Tax Credit (ITC) for all wind facilities, placed into service by 12/31/2012. Thus, under current law, any company that places a wind facility into service before 12/31/2012 has the freedom to choose to claim either (a) a PTC of 2.2¢/kWh for electricity produced from the wind for 10 years, or (b) a one-time ITC worth 30% of the cost of the facility.



If neither the PTC nor the ITC for wind are extended, neither of these two options will remain. If, however, only the PTC is extended, the unintended result will be to favor a subset of renewable technologies. This imbalance stems from the fact that Section 48(c)(4) of the Tax Code also provides that the 30% ITC is available for solar and fuel cell energy projects and a small subset of wind projects sized under 100kW. But, unlike the PTC and ITC for larger wind projects, which are expiring this year, the incentive for these other systems applies to projects that are placed in service through 12/31/16. By extending the ITC for all wind projects along with the PTC, Congress will help maintain a level playing field in the Tax Code between all wind, solar and fuel cell technologies, thereby maintaining the market's ability to pick winners in the renewable energy space.

ITC-Backed On-Site Distributed Wind Projects Help US Businesses Create and Retain U.S. Jobs

On Site Distributed Wind projects like Foundation Windpower's are particularly helpful in creating and retaining jobs here in the United States – jobs that cannot be exported.

First, of course, there are U.S. jobs created in the development and construction of our wind projects. Each project requires the efforts of between 30 and 50 engineering and construction personnel over several months. With multiple projects in development, our efforts have helped locally-based engineering and construction firms we work with train, hire and retain employees in the relevant trades for years.

Our projects support job creation and retention in another important way. On-Site Distributed Wind is different from most wind projects that rely on the PTC in that the wind energy created is not for wholesale distribution to the grid which is then subsequently marked up and resold by utilities. Rather, we locate our turbines “on-site,” and we sell all of the energy generated by our turbines directly to leading U.S.-based manufacturing and industrial employers like Anheuser-Busch, Wal-Mart and Safeway Stores. The ITC enables us to sell this energy to our manufacturing and industrial customers at prices that are both predictable and typically lower than utility rates. Moreover, by deploying zero-emissions wind technology, we have also been able to help our customers comply with state-based greenhouse gas emission standards. By controlling costs and simultaneously easing compliance with increasingly strict emission standards, Foundation Windpower has been helping key constituents of the US industrial and manufacturing base maintain and grow their operations and all of the jobs that come with that economic activity.



The ITC Is Necessary to Leverage Private Capital for On-Site Distributed Wind Project Development

More On-Site Distributed Wind projects using the ITC are under construction now; however, without the ITC, none of these projects would be feasible. Extending the ITC for On-Site Distributed Wind projects enables the continued development of projects located at manufacturing and industrial facilities throughout the U.S. The ITC is well-suited for wind energy projects co-located with industrial facilities that are reliable energy customers, and it therefore creates a direct incentive to attract private capital to enter this niche of the wind market. As a result, extending the ITC option brings new capital investment to projects which help U.S. manufacturers use cheaper, cleaner, more predictable wind energy to fuel American manufacturing jobs.

ITC Is a Vital (And Efficient) Corollary to the PTC

Most discussion about wind energy tax credits focuses on the PTC; however, extending the corollary ITC option for project developers is equally important and should not result in increased taxpayer expenditure since developers must elect either the PTC or the ITC, but not both. This efficiency is magnified by the fact that the PTC structure fails to attract private financing for On-Site Distributed Wind projects, whereas the ITC has proven to be an effective mechanism for leveraging private capital into these projects. Simply put, retaining the ITC option is an affordable way to give U.S. manufacturers access to the benefits of wind energy.

If the ITC option is extended, more U.S. employers can follow examples set by leaders such as Anheuser-Busch, Cemex, Nestle Waters, Robertson's Ready Mix/Mitsubishi Cement, Safeway, Teichert Aggregates and Wal-Mart (all users of ITC supported On-Site Distributed Wind projects) to make rational choices between wind energy and other on-site renewable options. ITC supported On-Site Distributed Wind also reduces the reliance on utility-supplied power. By placing generation closer to its point of consumption, On-Site Distributed Wind reduces the need for new investment in centralized generation and transmission facilities subject to energy loss over long transmission lines.

Congress Should Act to Preserve the ITC for On-Site Distributed Wind

Congress will need to identify the most appropriate vehicle to ensure this important tax credit option remains available to US manufacturers and industrial facilities. Any such legislation will either (a) assuming the PTC is extended, amend Section 48(a)(5)(C) to extend the deadline for the ITC election for wind along with the requirement that any taxpayer seeking to use ITC simultaneously waive the right to



claim any benefits under the PTC or (b) if PTC is not extended, amend Section 48(c)(4) of the Tax Code by lifting the 100kW cap on the ITC for wind.

Thank you for the opportunity to submit these comments.

Sincerely,
John Pimentel
President
Foundation Windpower, LLC