Introduction

Iberdrola Renewables, LLC (“Iberdrola Renewables”) is submitting this testimony for the record in response to the Committee’s April 26th hearing on Certain Expiring Tax Provisions.

Iberdrola Renewables develops, builds and operates, wind, solar, and natural gas electric generating facilities throughout the United States. The company is the second largest generator of wind energy in the country, with more than 5,000 megawatts (MW) of installed capacity of wind and solar energy located in 19 states. Iberdrola Renewables is an indirect subsidiary of Iberdrola S.A., the largest wind power generator in the world. Since 2006 Iberdrola, through Iberdrola Renewables, has invested more than $10 billion on wind, solar and other energy projects in the United States in large part due to the existence of stable, predictable government policies, such as the renewable production tax credit (“PTC”). The PTC is currently scheduled to expire on December 31 and its potential expiration is having a significant impact on the investment decisions currently being made by Iberdrola and other wind power developers.

Renewable Production Tax Credit

The PTC is one of the most effective provisions in the U.S. tax code for encouraging investments, promoting economic growth and keeping electricity rates low. The wind power industry, in particular, has become an important engine for economic growth due in large part to the availability of the PTC. Since 2005, the wind industry has invested more than $60 billion in the U.S. economy. More than 75,000 people are currently employed at 470 facilities located across 42 states. In a very short time frame, U.S. wind turbine manufacturing has grown at a dramatic pace. 60% of a typical wind turbine’s component parts are now produced here in America, compared to 25% in 2005.1

Further, wind energy costs have been reduced over by 90% since 1980, recently driven by a surge in technological advances. With its ability to guarantee firm prices in long-term contracts and a free source of fuel for decades, wind energy has provided 35% of all new U.S. power capacity in the last five years.²

The PTC has enabled companies, such as Iberdrola Renewables, to make substantial investments in the United States. Iberdrola Renewables’ predecessor, PPM Energy, started in 2001 with just 13 employees. Iberdrola Renewables now has more than 850 full time employees and the company employs thousands of others, indirectly, in the construction and manufacturing sectors. Iberdrola Renewables has worked with more than 200 different US suppliers and construction companies on our wind power projects.

Iberdrola Renewables will soon achieve commercial operations on the largest wind project in Ohio, the 304 MW Blue Creek Wind Farm in Van Wert and Paulding counties. At peak times of construction there were more than 500 workers on site, with 330 of them from local Ohio companies. Construction of Iberdrola Renewables’ 300 MW Cayuga Ridge wind farm in Illinois included 80 American companies, including steel from the Midwest, turbine blades manufactured in North Dakota, towers from Wisconsin, and turbine assembly in Pennsylvania.

Iberdrola Renewables’ projects provide an important boost to the economies of the communities where we operate. Across the country, we pay more than $30 million per year to landowners for the right to erect wind turbines and also pay more than $50 million annually in property taxes, which enables local governments to fund schools, hospitals and emergency services. In Sherman County, Oregon, revenue from Iberdrola Renewables’ five wind farms have enabled the county to improve roads and bridges, expand local fire protection services, improve senior centers, and build a new library and public school. In Lowville, NY, revenue from Iberdrola Renewables’ Maple Ridge wind farm enabled the local school district to put a state-of-the art computer in every classroom and build a new football field. In Illinois, revenue from Iberdrola Renewables’ Cayuga Ridge Wind Farm enabled a $1.6 million new high school building in Odell.

**Congress Should Extend the PTC as Soon as Possible**

The Energy Information Administration predicts that few, if any, wind power projects will be built in 2013 if the PTC is allowed to expire.³ The expiration of the PTC would create severe economic

---

hardship. Navigant Consulting predicts as many as 37,000 permanent jobs could be lost without a PTC.4

The uncertainty associated with the future of the credit is already having an adverse impact. Companies can’t finance projects if creditors don’t know whether the PTC will be available. A significant number of wind project developers have already dramatically cut-back their activities on projects that can’t be completed in 2012 due to the uncertainty over the future of the credit5

Iberdrola Renewables is not immune to the impact of this policy uncertainty. Over the last three years, our parent company invested approximately $6 billion in renewable energy projects in the United States. Congress’ delay in extending the credit is causing Iberdrola to reconsider its 2013 investment strategy in U.S. renewable energy projects. Moreover, Iberdrola Renewables has had lay-off some employees as a result of this uncertainty.

The greatest impact of PTC uncertainty is on the US manufacturing supply chain. After investing $1 billion in four manufacturing plants in Colorado, Vestas announced in January that it could lay off 1,600 people if the PTC is not extended.6 As many as 47 new American wind-related manufacturing facilities have come online since 2009, even in the midst of an economic downturn. Once these facilities shut down, long lead times required to procure steel and secure available component suppliers will limit their ability to get back online quickly.

Although constructing a wind farm can be done in as little as six months, equipment orders, financing, and construction companies must be secured up to a year prior. Construction activities are also impacted by weather constraints for much of the Midwest and Eastern US. In past years, something as seemingly simple as ordering a crane tall enough to install wind turbines threatened many project timelines, as wind industry orders were placed long after other multi-year construction projects. As a result of these factors, if the PTC is not extended by the summer, it may be infeasible for developers to complete wind farms in 2013. If Congress waits much longer to extend the PTC, Iberdrola Renewables respectfully requests the extension last at least through 2014 to give companies time to act.

Iberdrola Renewables recognizes that growing budget deficit pressures and Congress’ desire to reform the tax code suggests that the PTC might not last forever. We are willing to, as part of the tax reform process, work with members of Congress and the Administration to modify the program

---


or develop policy alternatives. However, although the wind power industry has made enormous strides in reducing costs, historically low natural gas prices threaten the viability of alternative energy sources without tax relief. The industry needs a short-term extension of the PTC to eventually achieve self-sufficiency.

**Conclusion**

Iberdrola Renewables appreciates and thanks the Committee for the opportunity to submit testimony. To foster the growth of an industry that is doing a tremendous amount to contribute to economic development, reinvigorate the American manufacturing sector, and diversify our electricity supply, we hope the Committee and the House of Representatives will act immediately to extend the PTC.