May 10, 2012

The Honorable Pat Tiberi
Chairman
U.S. House Ways and Means Subcommittee
on Select Revenue Measures
106 Cannon House Office Building
Washington D.C 20515

The Honorable Richard Neal
Ranking Member
U.S House Ways and Means Subcommittee
on Select Revenue Measures
2208 Rayburn House Office Building
Washington D.C. 20151

Written Comments Submitted by:

Dr. James A. Walker
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enXco, Inc.
Tel: (760) 832-5055
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Subcommittee: Subcommittee on Select Revenue Measures
Title of Hearing: "Certain Expiring Revenue Measures"
Date of Hearing: April 26, 2012

Dear Chairman Tiberi and Ranking Member Neal:

As you consider extension of certain tax provisions that either have expired or are due to expire by the end of 2012, we urge you to take positive action at the earliest possible time to extend the renewable energy Production Tax Credits (PTCs) due to expire at the end of 2012. The PTC has received bipartisan support since first enacted in 1992. The PTC was allowed to expire or extended too late for project planning and equipment procurement three times since 1999, resulting in drops in industry investment the following year of an average of 81%. When the PTC was extended in a timely manner, from 2005 through 2012, the wind industry grew from less than $1 billion in investment in 2004 to nearly $20 billion in 2009 and most likely in 2012. Without a timely extension in 2012, the USDOE expects a steep drop off in investment in US wind projects in 2013 of 90-100%. This would cause the loss of tens of thousands of jobs and lead to the shut down of numerous manufacturing facilities established with the expectation of continued policy stability in the US wind market.

enXco, Inc., an EDF Energies Nouvelles Company, is a major developer, owner and operator of renewable energy projects in North America based in San Diego, California. enXco's renewable energy portfolio consists of over 47 renewable energy projects in 15 states, with additional development activity in Mexico, and Canada. Our Operations and Maintenance Team, the largest North American provider of third party O&M, services over 5,370 turbines representing 16 different turbine manufacturers, generating over 4,800 MW of electricity. enXco has successfully developed 31 wind projects generating over 3,000 MW as well as multiple utility-scale solar projects.

On April 26 your Subcommittee heard testimony from a number of witnesses from both sides of the aisle regarding what is at stake for the nation if the PTC is not extended. Let me briefly describe what it will mean to our company and employees.

enXco is fortunate to have both geographic and technology diversification which will help it weather what we fear will be a very severe US wind industry downturn in 2013. We are active in Canada and Mexico as well as the US, and are making investments in solar, biogas and biomass in addition to wind. Unlike some of our competitors in the wind development sector, we have been able to avoid lay offs to date. However, from 2003 through 2011 our head count nearly quadrupled from around 200 to over 800, and this trend has now flattened out. To compare our development plans in 2012 and 2013, we have several hundred MW of wind under construction in the US this year, but no U.S. projects currently scheduled for construction in 2013 given the uncertainty about the PTC.

Perhaps the most serious concern we have regarding the expiration of the PTC is the impact this will have on the wind manufacturing supply chain. Ten years ago there were really only one or two suppliers of turbines to the US market (GE and Vestas), and their domestic content was below 30%. This meant considerable foreign exchange exposure procuring these turbines as well as considerable delivery schedule risk, since, say, a dock strike in another country could cause a delay that prevented completion of a project within tight financing deadlines. This year we have a wide selection of high quality turbine suppliers and the US content of their product is between 50 and 70%. If many of these are forced to shut their doors by the end of the year, it will be very hard to persuade their management and investors to come back to the US market just when we can least afford to lose high paying manufacturing jobs.

Over the longer term we are optimistic that continued advances in wind turbine technology, renewed growth in electricity demand, and the inherent benefits of a power generation technology that has virtually no air emissions or water use, and no future fuel price risk, will allow a phase down of the PTC, especially if broader tax reform can further “level the playing field” between wind and conventional power sources. But the immediate urgent need is for a short term, one or two year extension of the PTC, to avoid a damaging blow to an industry which has demonstrated it has so much to contribute to the nation’s energy system and economy.

Sincerely,

Dr. James A. Walker
Vice Chairman
enXco, Inc.