

December 4, 2014

Rep.
Rep.
Rep.
US House of Representatives
Washington, DC 20515

Sen.
Sen.
US Senate
Washington, DC 20510

Citizens' Plea: Do NOT REINSTATE the Wind Production Tax Credit (PTC)

Dear :

We, the undersigned residents of _____, join thousands of U.S. taxpayers and ratepayers nationwide in urging you to eliminate the wind production tax credit (PTC). We flatly reject policy actions by Congress, especially during this lame duck session, to reinstate and extend the credit which expired in 2013.

You should know by now that development of wind power in the United States does not reduce our need to maintain and build reliable generation, nor does it add materially to employment in our country. The small amount of energy it generates is intermittent, and hugely landscape-intensive. And, of course, the landscape disruption is highly destructive to wildlife, including protected species such as eagles.

Renewable energy tax policy has fostered a generation of developers who are rewarded for siting turbines on every free acre that has transmission access, no matter who is in the way. The negative effects of erecting turbines too close to where people live are real. Unsurprisingly, more than twelve active lawsuits are pending against wind projects in as many states. More are sure to follow.

The issues surrounding wind power expansion also impact energy prices and disrupt otherwise functional markets. The PTC provides project owners with a significant out-of-market revenue source¹, which invokes predatory pricing practices that unfairly harm the economics of reliable generators. There is no justification for a government program that manipulates otherwise healthy, competitive businesses.

After 22-years of tax credits, the business of big wind is not about energy production. It's about tax avoidance. Warren Buffet recently reminded us that wind investment makes no sense without handouts from taxpayers. Wind energy will never be competitive with the price of the fuel it saves and would not sell but for the PTC.

The attachment to our letter explains further why the PTC needs to end. After more than two decades, the wind industry is well situated to stand on its own. ***Your constituents know it and you should, too.***

This is why we respectfully request that Congress resist any temptation to reinstate the expired PTC.

<Signatures appear below>

¹ At 2.3¢/kWh, the subsidy's pre-tax value (3.5¢/kWh) equals, or exceeds, wholesale power prices in much of the country.

ATTACHMENT: THE FACTS ABOUT INDUSTRIAL-SCALE WIND

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 2015², the cumulative cost of the PTC, without the prior 2012 extension, would be approximately \$17 billion with the bulk of this claimed by wind resources constructed since 2006. 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 and flat growth in electricity demand. 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 Administration³ forecasts an initial spike in new wind development in 2015 as the market responds to the 2012 extension of the wind PTC. Flat growth in the wind sector is expected after that.

3. 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 (3.5¢/kWh) equals, or exceeds the wholesale price of power in 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 generation⁴.

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.

5. Low capacity factors and high project costs. Proponents insist wind energy is a few short years away from thriving without government assistance, but the trends do not support the claim. For the wind industry to grow without subsidies, average capacity factors would need to increase dramatically and/or project construction costs must drop dramatically. But that's not happening according to the U.S. Department of Energy's (DOE) Wind Technologies Market Report 2013⁵. Average capacity factors for projects built after 2005 have been stagnant despite advances in turbine technology. The interior region of the country covering Texas and the plains states continues to show the best capacity factors (36-38%) and lowest project costs (\$/kw) but it's also the most remote which means miles of expensive new transmission needed to transport the energy.

6. Relaxed eligibility equals PTC phase-out. When the wind PTC was last extended, a critical change was introduced that relaxed the eligibility requirements for the credit. Renewable energy projects now need only show they began construction by January 1, 2014 to qualify for the credit, instead of projects being 'placed-in-service' by that date. Since the law did not define the term 'begin construction', the Internal Revenue Service (IRS) was at liberty to determine the intent of Congress without any Federal Register notice that would have afforded the public an opportunity to be heard. The rules for PTC eligibility are so relaxed that projects can qualify long after the PTC is expired. This, in essence, allows for the phase-out asked for by the industry. No additional extensions are needed.

² [M. Sherlock Testimony, April 2012.](#)

³Energy Information Administration. [EIA Reference case for wind energy](#), May 2014.

⁴ Northbridge Group, [Negative Electricity Prices and the Production Tax Credit](#). September 2012.

⁵ <http://energy.gov/2013-wind-report>

cc: House Speaker John Boehner
Rep. Steve Scalise
Rep. Kevin McCarthy
Rep. Dave Camp
Rep. Paul Ryan
Rep. James Lankford
Senate Majority Leader Harry Reid
Senate Minority Leader Mitch McConnell
Senator Ron Wyden
Senator Orrin Hatch