Issues with the wind energy industry in Idaho

Rep. Erik Simpson
Why is the task force needed?

• Idaho is in the middle of an energy crisis created by state and federal governments
• Due to extensive subsidies, advantageous federal regulations, and virtually no state oversight, Idaho’s investor-owned utilities are drowning in unreliable, expensive energy derived from commercial wind farms
• Taxpayers and utility ratepayers (i.e., your constituents) are being negatively affected
• There is no relief in sight
What caused the problems?

- 1978 -- PURPA
- 1992 -- Production Tax Credit (PTC)
- 2005 -- Idaho sales tax rebate
- 2007 -- Idaho production tax instead of property tax
- 2009 -- 1603 federal grant program
- And other conditions favorable to wind energy developers
  - Renewable portfolio standards
  - Lucrative renewable energy credits
  - Favorable rulings by the Idaho Public Utilities Commission and Federal Energy Regulatory Commission
Lucrative subsidies

"Up to two-thirds of the value of a wind project may derive from federal programs and tax subsidies, as the revenues from the sale of power may not be sufficient to pay for the project development and operating costs. These tax subsidies include combinations of accelerated depreciation, production tax credits (PTCs), investment tax credits (ITCs), federal cash grants and federal loan guarantees."

North American Windpower, June 2009
## Section 1603 Federal Grant Awards

<table>
<thead>
<tr>
<th>Company Name</th>
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<th>Industry</th>
<th>Grant Amount</th>
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Lucrative subsidies (cont’d)

• Section 1603 grants for Idaho’s wind projects (from 2010 to 2012) total $329,430,090
  -- That number represents 30 percent of the total project cost
  -- Most projects paid no sales tax

• Production Tax Credit (PTC)
  -- 2.2 cents per KW subsidy; this number represents 33 percent of the total project cost
  -- There have been many attempts to extend this credit this year (payroll tax deduction bill, transportation bill; President Obama’s FY 2013 budget proposal, and senate Finance Committee bill)
Lucrative subsidies (cont’d)

• From 2005 to 2011, developers paid no sales tax
• Developers reap lucrative renewable energy credits
• In 2007, the legislature discontinued the requirement that wind developments pay property tax
• Developers now pay a 3-percent production tax – a fraction of what they would pay in property tax
Result of property tax elimination

• Bonneville County’s first approved project consisted of 34 1.5 MW turbines
• In 2006, this project paid $603,490 in taxes
  • 2007 -- $147,047
  • 2008 -- $158,000
  • 2009 -- $182,286
  • 2010 -- $166,166
• The 3-percent production tax greatly reduces what developers pay to local communities

Source: Idaho State Tax Commission
Compare subsidies

2010 federal energy subsidies (source U.S. Energy Information Administration Subsidy Report)

Note how the total 2010 subsidies for wind outnumbered all other conventional sources combined

- Hydro
- Nat Gas: $654 M
- Coal: $1,189 M
- Nuclear: $2,234 M
- Wind: $4,981 M
What do taxpayers get for their money?

“The downside of [wind] intermittency is clearly evident in the actual performance data of wind turbines already installed. Wind performs poorly across all traditional utility metrics for generating resources. For reliability, stability, forecast ability, proximity to load centers, and economics, wind power is a poor choice for large-scale power production.”

Kimball Rasmussen, President and CEO, Deseret Power [1]

Jobs?

• The wind energy industry claims they create lots of jobs, however:

"When the claim of hundreds or thousands, or even millions, or green jobs are used as a basis for billions in new government spending, we ought to insist that those claims be backed by transparent documentation and sound methodology, not implausible assumptions and inconsistent definitions."

Dr. Andrew Morriss, Professor of Law & Business at University of Illinois’ Institute for Government & Public Affairs, March 16, 2011

http://news.prnewswire.com
Jobs (cont’d)?

- The majority of jobs created are short-lived and are in manufacturing and construction.
- Ridgeline Energy confirms this in a letter to House Local Government Committee members on Feb. 16, 2012:
  -- “Our most recent project in Power County had over 160 construction employees. The project built in Bonneville County in 2010 had over 250 construction employees.”
  -- There was no mention of permanent jobs created.
- Rockland Wind Farm Project
  -- 170,000 labor hours went into the project; 60,000 hours were attributed to workers from American Falls, southeastern Idaho, and surrounding areas, meaning that 65 percent of the labor came from out of state.
Wind power as a product

• Wind power is difficult to integrate into the utility’s electrical supply because turbines typically only generate power about 20-30 percent of the time and must be backed up by a more reliable energy source, typically natural gas or coal.
• When wind turbines produce power the Investor-owned utilities don’t need, the utility must transfer that energy to the open market at a loss paid for by the ratepayers.
Wind power as a product (cont’d)

“Because a vast majority of the new PURPA contracts are for wind projects, Idaho Power will still have to build new resources in order to meet projected growth in peak-hour demand. Wind resources provide less than 5 percent of capacity on peak and therefore do little to meet Idaho Power customers’ growing summertime peaking needs.”

Idaho Power IPUC filing (Case No. GNR-E-11-03)
Jan. 31, 2012
Wind power as a product (cont’d)

“From an operational perspective (policy and legal arguments aside), it is neither good utility practice nor prudent for Idaho Power to be acquiring such large amounts of wind generation. In fact, the preferred portfolio in Idaho Power’s 2011 (Integrated Resource Plan) does not include any new wind resources for the next twenty years.”

Idaho Power IPUC filing (Case No. GNR-E-11-03)
Jan. 31, 2012
Ratepayers bear the real cost

• In Idaho Power’s recent filing with the Idaho Public Utilities Commission, the utility outlined the impact to its customers
  -- Ratepayers will pay $85 million more for PURPA-generated power (much of it wind) per year for the next 10 years than the utility would pay for the same amount of power on the open market

• Compare that figure to the tax “benefits” to Idaho counties, as outlined in Ridgeline Energy’s Feb. 16 letter – “Payments to Idaho counties will likely total about $4 million for 2011”
How much will this cost ratepayers?

• The additional cost to Idaho Power customers due to PURPA contracts (much of it wind) amount to about a $100-per-year increase for homeowners to more than $138,000 per year additionally for large corporations (page 11 of PUC filing)

• Avista and Rocky Mountain Power ratepayers are also experiencing increased rates due to wind energy
Local government decision impacts

• When a local governing body decides to issue a permit for a wind project:
  -- Adjacent landowners can be negatively impacted if the county has inadequate ordinances for setback limits, sound levels, etc.
  -- Wildlife could be negatively affected without proper environmental analysis
  -- Literally hundreds of thousands of ratepayers (even hundreds of miles away) will experience an increase
Siting
Wildlife impacts

• Several studies are complete or under way to determine impacts to raptor and bat populations – some paid for by the wind industry

• This will become an issue as more information is collected in advance of a federal government decision on the listing of the sage grouse

• Wyoming is restricting wind farm development in high sage grouse population areas
Other issues for the task force

- Bonding
- RECs – Who should retain them?
- How the Production Tax is calculated and who oversees the data
- Should the Production Tax be dramatically increased to account for the rate increases?
- Should there be statewide, uniform siting standards?
- Are nearby property owners being negatively affected? And how?
- Public involvement requirements
- Severability of lease from the sale of the property
Summary

• Taxpayers and ratepayers serve one purpose – to transfer revenue to wind energy developers for an inferior product
• The rationale behind the new oil/gas exploration law could be applied here – state control assures uniformity
• PUC filings over the last year indicate that investor-owned utilities are pleading for help
• This task force needs to study the potential environmental impacts and many other issues