

# AWED December 2012 DC PTC Trip Report

As you may know I spent Wednesday (12/12/12) in Washington on a trip put together by Dr. George Taylor and John Droz where we met with the staffs of several key members on the House ways and Means Committee, the committee which is responsible for tax policy. We also met with one of John Boehner's policy advisors. If you scroll down you will see who we met with. George and I were joined by Dr. Dan Ervin on these meetings, and Dave Banks for the Boehner meeting. (Since they are more energy knowledgeable, George and Dan have integrated their comments in this report.)

We had one message and that was to let the PTC die a natural death when it expires on December 31, 2012. This is because wind energy is a failed energy that has been supported by subsidies and credits for some 20 years, and it will not ever prove to be a scientifically sound nor economically sound source of energy. Here are my observations:

1. Most of the people we met with acknowledge that wind energy is a failed program that needs to lose its support. As you can see most of these are Republicans.
2. Everyone in Washington is paralyzed with the fiscal cliff and doesn't seem to be able to get anything done. IMO this is largely due to Obama being re-elected, as he is taking a firm stance on tax matters.
3. Whether we fall off the cliff or not, amazingly, they may not let the PTC expire, but may put through a temporary extension of all tax credits (see #4) to deal with them next year as part of a massive tax reform effort
4. There are at least 150 different tax credits that when bundled together add up to \$205 Billion Dollars—there were only 50 of these credits 10 years ago—the PTC represents about \$12 Billion (for just a one year extension)
5. Getting them to unbundle these credits is a hard thing to do — but exactly why is impossible to ascertain. (One guess is that each has legislators who are backers, so by combining many, they get more votes for all.) In the Senate Finance Committee resolution a while back they kept them bundled and wanted to extend them all for a year. Grassley from Iowa is the big supporter there.
6. A phase out of the PTC is likely: we heard all the way to 5 years. The details are hard to determine because they don't know, so what conditions the phase out may have is hard to predict.
7. The AWEA had been asked for their recommendation of a phase out at the beginning of 2012 and as of last Wednesday the Ways and Means Committee had received nothing — and they were getting aggravated. Then Presto!: Thursday AWEA come up with a ridiculous 5 year plan.

8. In years past this bundle of credits had been automatically extended until new Freshmen Republicans had stopped them to question them in 2010. This (along with the debt crisis) seems to have finally caused them to start to do their jobs: i.e. consider the real economics of these decisions. Whether each credit is accurately assessed on its own merits still remains to be seen.
9. There is actually an “extender committee” of Ways and Means to deal with this—you can’t make this stuff up. Representative Pat Tiberi (Ohio) is the chair of that (the subcommittee on Select Revenue Measures).
10. In my opinion there is an 80% chance we will go off the fiscal cliff. In any case it appears they will still extend these credits for 6± months, promising to deal with them then as part of a major tax overhaul sometime in 2013.
11. I feel there is an 80% chance the PTC will get a 3 year phase out which drops the credit amount each year to show "progress." The Joint Tax Committee estimated that the cost of a one-year extension (which includes a change of the eligibility criterion from “completion” to “start of construction”) would cost \$12 billion.
12. There is very little chance they will let the wind PTC expire as it should on Dec 31<sup>st</sup>

We should all be embarrassed by the lack of courage, knowledge, appreciation for the fact this is our money, special interests, and general paralysis that is going on in Washington. I know this is nothing new but to see it first hand is very discouraging. When we asked what argument the wind energy folks could ever make to support an extension of the PTC here is what we heard:

- a. “Just give us \_\_\_\_ more years because it will become viable soon.” Of course they have been saying this for 20± years.
- b. “Green is good.” The fact that wind energy isn't really green (for a variety of reasons) seems to have escaped them.
- c. “All of the above,” (Obama’s stance). Unfortunately Republicans have yet to see the foolishness of that slogan, and the wisdom of an "All of the Sensible" energy policy.
- d. “Jobs” may be the biggest and least understood argument supposedly favoring the PTC, because wind energy actually costs us jobs. We did tell them that, but we need to do a better in conveying this message.
- e. “Fairness.” What a crock after 20+ years of subsidies.
- f. And of course a primary reason none of this gets done is: “You have to give to get.” get.” Everyone has an axe to grind in both parties.

The positives are that I think we can finally see the ultimate demise of the ridiculous PTC, several legislators have done an exemplary job at speaking out (e.g. Sen Alexander and Rep Pompeo), and some corporations (e.g. Exelon) are taking up this fight.

On the other hand, the PTC will get bogged down with all the other stuff in the tax credits bundle, and will likely get dealt with later in 2013. This is classic 'kicking the can down the road' mentality.

Having said that, by continuing to shed light on this charade, and by putting some restrictions on the PTC we will make it harder for wind developers to get financing and local approvals. In that regard do not be surprised to see the wind energy people attempt relaxing the rules for when they qualify for the PTC. For example they will likely try to get that to be some ridiculous thing like "5% under construction" (whatever that means )as vs "being in operation" which is the rule now.

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## **Tuesday —**

Meetings with Todd Wynn at ALEC and Myron Ebell at Competitive Enterprise Institute

## **Wednesday —**

<u>Time</u>	<u>Member of Congress</u>	<u>Committee</u>	<u>Staffer</u>
9:00	Devon Nunes, CA	Ways & Means	Daniel Breig, [Damon Nelson] ASME Congressional intern
10:00	Erik Paulsen, MN	Ways & Means	Matt Gallivan
11:00	Peter Roskam, IL	Ways & Means	Shauna Yandell, [Steven Moore]
12:00	Vern Buchanan, FL	Ways & Means	Shane Lieberman, LD
1:00	Ken Marchant, TX	Ways & Means	Brian Thomas, COS
2:00	John Boehner, OH	Speaker	Dave Stewart, [Maryam Brown]
3:30	Aaron Schock, IL	Ways & Means	Mike Pasko, [Mark Roman]
4:00	Pat Tiberi, OH	Ways & Means	Brad Bailey
4:30	Dave Camp, MI	Ways & Means	Rob Guido, LD
	Tom Price, GA	Ways & Means	Kyle Cormney

All staff members were receptive to our message and said their bosses were against extending the PTC. However, that did not mean that they would speak out against the PTC in advance of next year's comprehensive tax extenders review.

Of the 7 Republicans on the Select Revenue Measures subcommittee, Tiberi, Paulsen, Roskam and Marchant agree with us. Berg (leaving Congress) and Gerlach are opposed. Boustany is TBD, although his website indicates strong philosophical agreement with us.

## Thursday —

11:00	Sen. Alexander, TN	Curtis Swager, Kelly Perry (science fellow)
1:15	Heritage PTC Presentations	Dave Banks, David Kreutzer, etc.
2:30	Sen. Murkowski, AK	Kellie Donnelly, Tristan Abbey, Whitney Drew

We gave each legislator a copy of the Rasmussen Renewable Energy report (2.0)

Additionally we discussed with most people the report that George will be publishing shortly about the actual amount of CO2 saved with wind energy. One of our main objectives is to have the EIA do a much better job at showing the levelized costs of our different energy options.

[For a long time EIA has been showing wind energy and conventional sources (e.g. nuclear) on the same spreadsheet. This is a serious technical error that implies non-existent equivalence. Their justification is that it is explained in their “notes.” In our view that is totally inadequate. Intermittent sources like wind and solar should be on different spreadsheets, or be shown with their augmenting source (e.g. “wind+gas”) if they are on the same spreadsheet.]

Curtis Swager said that if their office agreed with our report, they would ask EIA to respond to it. Kellie Donnelly said they would consider asking (or requiring) EIA and/or regional system operators to report how much fossil fuel wind has saved. Both of these actions would be very welcome.

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*Some DC legislators to meet at another time (alphabetically) —*

Sen. Coburn

Sen. Thune

Rep. Barton (House Energy Committee) – Michael Weems

Rep. Boustany – Terri Fish

Rep. Pompeo – Chris Parinello

Rep. Scalise (spoke at “End the Wind PTC” Heritage press conference)

Rep. Upton (Chairman of House Energy) – Mark Ratner

12/19/12