



WESTERN GOVERNORS' ASSOCIATION

Gary R. Herbert
Governor of Utah
Chairman

John Hickenlooper
Governor of Colorado
Vice Chairman

James D. Ogsbury
Executive Director

Headquarters:
1600 Broadway
Suite 1700
Denver, CO 80202

303-623-9378
Fax 303-534-7309

Washington, D.C. Office:
400 N. Capitol Street, N.W.
Suite 376
Washington, D.C. 20001

202-624-5402
Fax 202-624-7707

www.westgov.org

December 7, 2012

The Honorable John Boehner
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

The Honorable Harry Reid
Senate Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Nancy Pelosi
House Minority Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Senate Minority Leader
U.S. Senate
Washington, DC 20510

Dear Speaker Boehner, Majority Leader Reid, Minority
Leader Pelosi, Minority Leader McConnell:

Access to clean, reliable, and affordable energy is vital to a growing and prosperous society. For this reason, the Western Governors support energy diversity and independence through the development of all domestic energy resources. Part of our diverse energy portfolio is at risk with the expiration of the renewable energy production tax credit (PTC), which expires for wind at the end of 2012. Many Western Governors have long supported the PTC as a way to help us realize clean energy goals, build our manufacturing base, create jobs, lower energy costs, and strengthen our domestic energy security.

Today we urge you to extend the PTC. Extending the credit now is critical to maintain and increase U.S. manufacturing jobs given that any continued policy uncertainty results in developers stopping turbine orders for installation beyond 2012. In turn, the uncertainty and lack of supply chain orders is already causing wind manufacturing companies to layoff American workers. Given the late date in the year, it is important for Congress to make the PTC extension effective, particularly given the typical 18-month project development timeline. Taking this consideration into account would, for example, allow for all projects that start construction in 2013 to qualify for the credit.

The Honorable John Boehner
The Honorable Harry Reid
The Honorable Nancy Pelosi
The Honorable Mitch McConnell
December 7, 2012
Page 2

While the PTC is vital to the near-term future of renewable energy production in the Western United States and across the nation, we agree that the credit should not exist in perpetuity – particularly as these renewable energy industries mature and become competitive with other sources of energy. Providing the wind industry a defined period of tax certainty, combined with a defined end date, will help the industry and capital markets make the necessary adjustments as we transition to a simpler and less cluttered tax code that avoids picking winners and losers. Following a prompt extension, we believe that Congress and the Administration should engage in a broader conversation about revisiting all energy-related tax credits and preferences, and the governors stand ready to provide input into that discussion.

In the long run, we believe repealing all federal energy subsidies (tax or otherwise) is the preferred approach. No one energy company, or energy source, should receive preferential treatment from the federal government. However, allowing the PTC to expire now while allowing other energy subsidies to continue within the tax code will not level the playing field and rather than avoid having the government pick winners and losers, this action would instead regressively tilt the playing field toward some established energy resources and against some important emerging resources. Given this reality, we believe that until a comprehensive review of all energy subsidies is undertaken, extending the PTC for wind is the fair approach.

At a national level, the PTC investment in American energy production and job creation is working. Wind power represents over 35% of the new electricity capacity built in the U.S. since 2007 and building at this scale has enabled the cost of wind power to decrease by more than 90%. The wind industry proudly employs over 75,000 Americans in good paying jobs in over 400 such facilities in forty-three states. An economic study by Navigant Consulting has shown that, with a stable PTC, this industry can grow to 100,000 American jobs in just four years and stay on a path toward supporting 500,000 American jobs by 2030 as forecast by the Bush Administration. Currently, over 67% of the value of a wind turbine is produced domestically, compared to just twenty-five percent prior to 2005.

And the PTC investment is working in the nineteen (19) states represented by the Western Governors Association. Our states now have over 33,000 MW of wind power, representing over \$60 billion in capital investment and 68% of all the wind built to date

The Honorable John Boehner
The Honorable Harry Reid
The Honorable Nancy Pelosi
The Honorable Mitch McConnell
December 7, 2012
Page 3

in the U.S. In addition, the 5,500 MW of wind currently under construction in the region represent 62% of all ongoing wind projects in the U.S. – demonstrating that the West continues to lead in modernizing the grid and job creation as these projects will yield another \$10 billion in investment in our states. The \$60 billion of private capital investment in the region leveraged by the PTC also has a proven track record of creating jobs in the West. In 2011 alone, the wind industry provided over 30,000 good paying manufacturing, construction and other jobs in our states. In addition, this investment yields annual economic benefits to the West’s rural economies north of \$230 million in county property taxes and over \$90 million in lease payments to landowners – all of which helps continue the West’s rich farming and ranching heritage. A short-term continuation of the PTC will lead to similar successes.

The PTC originally became law with strong bipartisan support that continues today throughout many areas of the country, including major cities, towns and rural areas in the American West. Extending the PTC now, combined with a clear path towards phasing out the credit, will provide the certainty that is needed for companies to invest in American resources and workers. We strongly urge you to support a prompt extension of the wind energy PTC and to move towards a thoughtful, but expeditious phase out of all federal energy subsidies and preferences.

Sincerely,



Governor Gary Herbert

Chairman

Western Governors Association



Governor John Hickenlooper

Vice-Chair

Western Governors Association