

Original Questions

1. If there were no energy subsidies available to these projects, do you think wind developers would be installing them? **See response to question T3.**
2. What if tax incentives weren't offered—would this project be feasible? **Project specific.**
3. How much of the proposals for wind power are dependent on governmental subsidies? If there were no government subsidies (our taxpayer dollars) available for wind power, would putting windmills in this area be affordable? **See response below.**
4. Are wind project sustainable without subsidies and tax breaks? **See response to question T3.**
5. Without government subsidies, are your turbines cost effective? **Project specific.**
6. If the U.S. Government does not renew the current renewable energy tax credit or grant, how does that affect a wind power project that was already under construction under such a regime? **See response below and to question T3.**
7. Can you outline all the subsidies and tax breaks a large wind project can get from the federal, state and local governments? **See response below and to question T3.**
8. What state, federal, and local tax incentives are being offered to Gail Wind? What incentives are offered to oil/gas producers? **Project specific.**
9. If tax incentives are allowed, once the initial investor on a project receives a subsidy, are the subsequent purchasers of that project able to also take those same incentives/subsidies again on the same project? If in fact they do receive the subsidies again, do the subsequent purchasers also have the option of accelerated depreciation on the remaining balances not subsidized? **Beyond scope of project; Project specific.**
10. Wind developers promise local government (county and township) will see a big boost in tax revenue. How do we ensure that this money is guaranteed with changing tax incentives for “renewable energy companies?” **See response below.**
11. Subsidies on ethanol has been shown to be a huge mistake since it takes more energy to produce a gallon of ethanol than you get from a gallon of ethanol. Wind energy is not profitable without subsidies. What happens to wind farms when subsidies stop and the wind farms are not profitable? **Value judgment.**
12. The state government of Michigan is on its knees financially. What help, in terms of consulting, legal, research, enforcement etc., are they able/required to give us long term? Is this something that could be cut from state budget and leave the local governments high and dry? **See response below.**

Questions and Responses

These questions may have been recategorized and reorganized. Some may have been sent to another “theme” area (this will have been explained in red under the “Original Questions” section). In other cases two or more questions will be answered with one response.

- T3. How much of the proposals for wind power are dependent on governmental subsidies? If there were no government subsidies (our taxpayer dollars) available for wind power, would putting windmills in this area be affordable?

Response: Wind energy has grown increasingly cost competitive within the energy market. With subsidies figured in, the levelized cost of electricity generated by wind is 9-13 cents per kWh (<http://www.pewclimate.org/technology/factsheet/wind>) whereas the average cost of electricity in 2011 was around 9.66 cents per kWh (<http://www.eia.gov/electricity/monthly/index.cfm>). Therefore, wind is cost competitive with traditional fuels in many states, and the Energy Information Administration estimates that

by 2016 it may even be cheaper. In terms of annual subsidies, the EIA data for 2010 reports that renewable energy technologies received 55% of total subsidies, of which wind accounted for 42%. This information is available in the “Direct Federal Financial Interventions and Subsidies in Energy in Fiscal Year 2010”, accessible at <http://www.eia.gov/analysis/requests/subsidy/pdf/subsidy.pdf> The EIA’s 2011 energy outlook report is available at www.eia.gov ([Report Number: DOE/EIA-0383\(2011\)](#))

Just as the federal government subsidizes wind, it has historically subsidized all major forms of energy production (to learn about what those subsidies are, see the “Alternatives to Energy” section, question L7). Yet, the subsidies that the wind energy industry has received are still less than the total subsidies received by fossil fuels, as the adjacent graph from the Environmental Law Institute suggests.

Because the federal government has always subsidized energy production through research and development, tax credits, loan guarantees, and liability limitations, it is impossible to grasp what the cost of any energy technology would be without subsidies. According to the Energy Information Agency, “government R&D expenditures are typically targeted at the investigation of new technologies for which either the risk or the long lead time incurred prior to realization of a return on investment make such expenditures financially prohibitive to the private sector”. For further information, see Chapter 5 of the EIA report at <http://www.eia.gov/oiaf/servicerpt/subsidy2/pdf/chap5.pdf>.

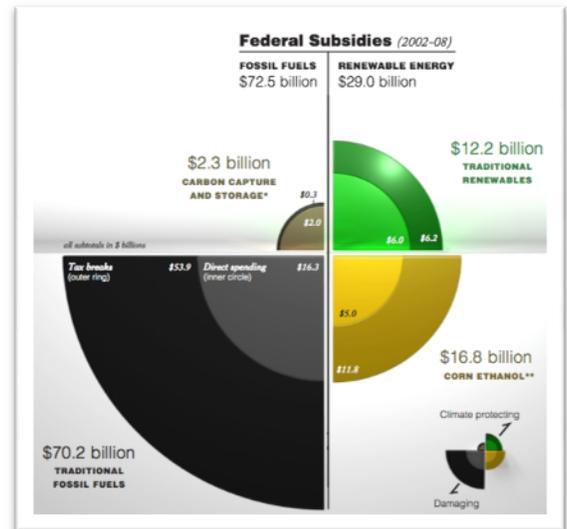


Image Credit: Environmental Law Institute http://www.eli.org/Program_Areas/innovation_governance_energy.cfm

T6. If the U.S. Government does not renew the current renewable energy tax credit or grant, how does that affect a wind power project that was already under construction under such a regime?

Response: Federal subsidies for wind development include the production tax credit, which subsidizes energy on a per kWh basis, the investment tax credit, which subsidizes wind energy based on the upfront cost of development, and treasury department subsidies, which subsidize projects based upon property values. Over the years, each of these subsidies has expired, and some have been renewed. The production tax credit, which has been the most effective at supporting the growth of the wind industry, expired in 1991, 2001, and 2003, and is set to expire again in 2012. In order to receive the current PTC, a wind farm must be operational before December 21, 2012. Additionally, the wind farm has guaranteed access to that tax credit for ten years after the farm begins to generate electricity. For projects that are still under construction when the PTC expires, it becomes uncertain whether or not they will receive an extension and how they will finance their project.

T7. Can you outline all the subsidies and tax breaks a large wind project can get from the federal, state and local governments?

Response: There are three main federal tax incentives that a wind developer can choose from when planning to finance its utility scale wind farm: a production tax credit, which provides a company with 2.2 cents for every kWh of electricity it produces, an investment tax credit, which provides a company with 30% of the initial cost of development for a wind project, and treasury department subsidies, which finance a project based upon the property values of the site. In addition to these, there are a few federal programs which individual projects may qualify to get. The first program is the Department of Energy’s 1705 Loan Guarantee Program, which insures a company in case they default on a loan, and the second program is a

bonus depreciation tax schedule which allows a company to deduct the entire upfront cost of their project the first year of generation. Though these two incentives are available to projects, they are not nearly as common or widespread as the production and investment tax credits. To read more, see: http://www.ucsusa.org/clean_energy/solutions/big_picture_solutions/production-tax-credit-for.html. A few of these include Recovery Act grants and research and development grants for renewable energy companies that the state distributes.

Michigan also provides a number of tax incentives for utility scale wind development. To read more about state incentives, see: http://www.michigan.gov/documents/mdcd/Clean_Energy_309936_7_313369_7.pdf

T 10. Wind developers promise local government (county and township) will see a big boost in tax revenue. How do we ensure that this money is guaranteed with changing tax incentives for “renewable energy companies?”

Response: There is no way to guarantee that representations about increased tax revenue to local governments will be realized in this context. The conventional wisdom at the present time is that the Michigan Legislature will eliminate taxation of personal property and it is unclear what, if anything, will replace that revenue. In addition, any property owner has the right to appeal any property tax determination to the local board of review and the Michigan Tax Tribunal. Conditioning zoning approval on a waiver of these rights would be unusual and could be outside of the legitimate objects of zoning.

T12. The state government of Michigan is on its knees financially. What help, in terms of consulting, legal, research, enforcement etc., are they able/required to give us long term? Is this something that could be cut from state budget and leave the local governments high and dry?

Response: The State of Michigan, through the Public Service Commission, conducts research on numerous matters related to wind energy development and makes the results public as they are available. We are not aware of any State programs providing assistance to local governments with legal work or enforcement related to wind energy development.