United States Senate

WASHINGTON, DC 20510

December 17, 2013

The Honorable Max Baucus
Chairman
Senator Committee on Finance
511 Hart Senate Office Building
Washington, DC 20510

The Honorable Orrin G. Hatch
Ranking Member
Senator Committee on Finance
104 Hart Senate Office Building
Washington, DC 20510

Dear Chairman Baucus and Ranking Member Hatch:

We are writing to urge you to allow the ballooning wind production tax credit (PTC) to expire at the end of 2013 as the law intends. The most recent extension of the wind PTC is actually a multi-year "phase out" that requires the wind facility to be "in service" before January 1, 2016. This extension gave the wind industry the multi-year certainty that it had requested, so now it is time to let this technology stand on its own.

The wind energy PTC, established by the Energy Policy Act of 1992, was originally intended to provide wind energy producers a subsidy for every kilowatt hour of electricity produced. More than 20 years, and tens of billions of tax-payer dollars later, the wind PTC is subsidizing a "mature technology" with over 60,000 megawatts of generation capacity installed across the country. In fact, according to the U.S. Department of Energy in 2012, the top source of new electric generation capacity was wind with 43% of all nameplate capacity additions, surpassing new natural gas-fired generation.

The growth in wind is driven not by market demand, but by a federal tax subsidy that at times is more valuable than the wholesale price of the electricity in many electricity markets across the United States. Since the wind PTC is so generous, it distorts wholesale electricity markets by increasing the occurrence of the phenomenon called "negative pricing." Negative prices encourage electricity generators to curtail generation, but the wind PTC makes it economical for a wind producer to pay the market to take their power. Conventional generation that is instrumental to the reliability of the electric grid does not have the artificial protection of the wind PTC, and is harmed by the increased occurrence of negative pricing.

Our nation's energy policy must make economic sense for taxpayers and not manipulate markets. Continuation of the wind PTC not only picks winners and losers, it is distorting our energy markets and it's past time to end a temporary tax credit that was put into law in 1992. After more than 20 years, and tens of billions of tax-payer dollars, it's time to let the wind PTC expire and continue to invest in new technologies.

As the Senate Finance Committee takes on the commendable, but difficult, task of enacting necessary tax extenders and revenue-neutral tax reform legislation, the wind PTC should be excluded from any legislation that the Committee may consider.

Sincerely,

Lamar Alexander
U.S. Senator

Joe Manchin
U.S. Senator

Jeff Flake
U.S. Senator

Tom Coburn
U.S. Senator

Jeff Sessions
U.S. Senator

Ron Johnson
U.S. Senator

Mike Lee
U.S. Senator

Tim Scott
U.S. Senator

Jim Risch
U.S. Senator

John McCain
U.S. Senator