

September 26, 2014

The Honorable Susan Combs  
Comptroller of Public Accounts  
The State of Texas  
P.O. Box 13528  
Austin, Texas 78711-3528

Dear Comptroller Combs,

You are well aware of the power your office wields in influencing debate and policymaking. It is for this reason that you, and your predecessors, have traditionally attempted to carefully weigh issues, to seek diverse expert input, and to provide lawmakers with balanced and thoughtful assessments of key policy debates.

I write today with extraordinary disappointment in the quality and tenor of the report your office just published attacking wind energy and other renewables in our state. While billed as a discussion on reliability and cost, “Texas Power Challenge” is so transparently biased that I object to its publication under the official auspices of the Office of the Comptroller.

Despite its economic contributions to the state and the savings wind brings consumers, your tenure has been marked by the agency’s opposition to wind energy development in Texas. This report continues that course and its publication as a “research” document has done an tremendous disservice to the agency’s excellent research staff which has long been correctly viewed as authoritative, scholarly, and unbiased.

Comment from the wind energy industry was not sought in the preparation of this report. Instead, it is a compendium of outdated or erroneous messages promoted by organizations funded by wind’s competitors as they work to undermine the growth of wind energy.

Wind energy is now a key component of the energy mix in Texas providing nearly 10% of the state’s electricity supply using a Texas resource, and without using water or producing emissions of any kind. Wind provides economic value as a hedge against the volatility of fuel prices and helps guarantee consumers, businesses, and manufacturers access to long-term, reliable, affordable energy.

Texas has been able to attract more than \$26 billion in wind energy developments in 56 counties producing great economic benefits, none of which your report contemplates.

Your report failed to mention:

**Wind Energy’s Job Creation.** According to the Texas Governor’s Renewable Energy Industry Report, the wind industry employs nearly 26,000 people in Texas. An analysis by the Natural Resources Defense Council (NRDC) says that each “major” wind farm (250 MW) creates approximately 1,079 jobs throughout the 14 steps of development, including planning, manufacturing, construction, maintenance , and operations. Manufacturers across our state are booming, supplying this growing industry and

many of our higher education institutions are now offering programs to prepare workers for employment in this emerging and exciting energy field.

**Energy from Texas Resources.** Texas is extraordinarily blessed with abundant and accessible energy resources, including wind power, solar energy, and natural gas. Utilizing those resources to generate our electricity keeps more of Texas consumers' energy dollars here, working to grow the Texas economy. Our wind energy resource and our natural gas supply generate electricity in a complementary fashion, growing together while reducing emissions and bringing additional economic and environmental benefits.

**Affordable Long-Term Prices.** According to the US Energy Information Administration (EIA), Texas' electricity prices for consumers, commercial users, and industrial users are among the lowest in the country and wind is contributing to that low cost. The Public Utility Commission of Texas has stated that, "Wind generation has had the impact of reducing wholesale and retail prices of electricity." This is a real economic benefit but – equally importantly – wind energy's price is fixed by nature in the price of wind. It will never go up. Therefore, because there is no exposure to fuel price volatility, threats to availability, or environmental regulatory uncertainty, wind power brings stable, long-term price certainty to consumers of all types.

**Home-Grown Texas Energy That Uses No Water.** In a state that is drying up in the grip of a crippling drought, how did your report overlook the economic value of the water saved by using wind to generate electricity? While you mentioned water scarcity as a potential vulnerability of our current generation mix, many may be unaware that electrical generation represents the second largest user of water in the country. Moving some portion of our generation to technologies that require no water has a direct and meaningful effect on the availability of water for other uses, such as farming, manufacturing, or simply keeping our population alive. Using wind to generate power in Texas saves more than 7.8 billion gallons of water each year.

**Reduced Emissions.** Your report failed to recognize the economic consequences of air emissions. For the moment, let's set aside the economic losses created when our population's health suffers and our health care costs are increased by the continued use of the dirtiest generators in our current fleet.

Our state is also placed in regulatory jeopardy, with the potential for increased costs to be imposed upon us. With looming federal CO2 regulations that you have said will have negative economic consequences, wind power helps avoid 23,103,000 metric tons of carbon dioxide emissions each year, the equivalent of taking 4,075,000 cars off the road. That's an economic benefit to our state that helps our state's other industries as we seek to remain compliant with all clean air regulations.

Using Texas wind and Texas natural gas to power our state in a reliable and complementary way reduces emissions and makes the most economic sense, a key factor your report missed.

**Rural Economic Development.** Wind energy development has been incredibly effective in bringing economic activity and capital investment to rural areas of our state. More than \$26 billion has been invested in Texas communities by wind energy developers, including \$15 billion in investments that were incentivized in part by the

Chapter 313 program. School districts and local governments (and their taxpayers) benefit from the substantial investment that wind energy brings to their communities.

**Landowner Opportunities.** Also not contemplated in your report are the direct payments to landowners, primarily farmers and ranchers in rural Texas, who receive lease payments for each turbine installed on their property. These are infusions of capital into rural Texas communities and are helping to keep farmers and ranchers on their land, particularly during this destructive drought.

And, because 95-98% of wind farm land can still be used for agricultural purposes, farmers and ranchers continue to work the land while benefiting from a second harvest – of wind. More than \$60 million per year flows into rural economies as direct payments to landowners. Over the life of existing projects, this represents a more than \$1.2 billion infusion directly into rural economies. Keeping those dollars in our state, instead of spent on imported fuels or imported electricity has real economic benefits, all of which were missed in your analysis.

**Long-Term Investment.** Wind energy investments are long-term investments, and are exactly the kind of massive capital investments the Chapter 313 program contemplated when renewable energy projects were included. Unlike some investments, which the Chapter 313 program requires stay in communities for only 3 years following their limitation period, wind is committed for the long haul. Our capital investment is massive and the structures not easily moved. For taxpayers, this guarantees long term tax revenue and benefits for Texas and local communities. This is a real economic benefit and again, not contemplated in your analysis.

In response to other specific assertions in this flawed report, let me address a few key areas:

### **Subsidies**

Your report attacks governmental support for wind energy and asserts that support makes wind uniquely advantaged in the competitive marketplace.

Since the beginning of our republic, governments have encouraged domestic energy development as vital to our economy and national security. These subsidies have been focused primarily on traditional sources of fuel like coal, oil, and natural gas.

Government has also traditionally supported early stage energy innovation. According to the report, “What Would Jefferson Do?” by DBL Investors, “As a percentage of inflation-adjusted federal spending, nuclear subsidies accounted for more than 1% of the federal budget over their first 15 years, and oil and gas subsidies made up half a percent of the total budget, while renewables have constituted only about a tenth of a percent. That is to say, the federal commitment to oil and gas was five times greater than the federal commitment to renewables during the first 15 years of each subsidies’ life, and it was more than 10 times greater for nuclear.”

Today, incentives for wind’s competitors have been in place for hundreds of years (coal) and for nearly a century in the case of oil and gas.

Just a few years ago, your own report (The Energy Report – 2008) estimated federal subsidies for various forms of energy and reported that wind received only 3.4% of 2006 federal support. In the same report, you also presented data showing that the oil

and gas industry in Texas received 99.6% of state and local incentives. To quote, “The Comptroller’s Office also compiled an estimate of state and local energy subsidies for 2006. In Texas, state and local subsidies totaled \$1.4 billion in 2006. Oil and gas garnered most of the subsidies with an estimated 99.6 percent.”

In the absence of comprehensive tax reform, little has changed since that time and wind’s competitors continue to reap billions in subsidies every year. Wind is, in fact, the underdog – a relatively new technology that is still rapidly developing and improving.

This week’s report fails to mention, but it is important to note, that the federal Production Tax Credit (PTC) for wind is currently expired. Because our Congress recognizes that it would be patently unfair to leave wind unsupported while all of our competitors continue to gain market advantage through federal support, I believe it will be renewed. But, as of today, it is currently no longer available, leaving wind at a disadvantage and serving as a disincentive to new development.

I should also note that the wind energy industry is the only energy type that has voluntarily presented a scenario to phase out its incentives over time as part of a comprehensive tax reform effort.

Because many of the incentives available to other energy producers help us achieve our national goals of providing abundant and affordable power to our economy, I am not – and would not – call for an end to the subsidies that wind’s competitors receive. That said, I do believe it is time for an end to hypocritical attacks on wind’s tax support, especially when presented under the official seal of our state’s chief revenue officer.

### **CREZ**

You point to the transmission investment connecting the Competitive Renewable Energy Zones (CREZ) as a subsidy for wind but make no reference to the other recently built transmission lines or the nearly 40,000 miles of previously built transmission lines. We’ve never referred to those power lines, also paid for by consumers, as a subsidy for coal, gas, nuclear, or other forms of electric generation.

The CREZ lines are not for the exclusive use wind generators but are available and will be used by other forms of electricity generation, including non-renewable generation. Solar and natural gas generation projects that will use CREZ lines are already announced and are moving forward. These are bringing investment to a region of the state which, without CREZ, would not have been possible.

CREZ, according to the Texas Public Utility Commission, included upgrades necessary to add stability to our overall grid, particularly in the high-growth region of Central Texas. These upgrades weren’t made solely for the benefit of wind and solar but to provide the robust and resilient electric grid that Texans deserve.

CREZ is bringing low-cost power to the state’s consumers and, in a helpful and unexpected twist, CREZ is providing electricity to power the boom in West Texas. This area has seen electricity demand, driven by oil and gas drilling, grow 5-6% per year. Today, power is being generated inexpensively in the part of the state where it is needed, and delivered by CREZ to benefit our state’s booming oil and gas sector. That’s an economic benefit surely you can appreciate.

The CREZ transmission investments are long-term infrastructure investments which, once paid for in the near-term, will provide a long-term asset to serve this state and provide it with much-needed, affordable electricity for decades.

Despite the rhetoric, CREZ was not a subsidy for wind any more than the 40,000 miles of other transmission lines in Texas were a subsidy for other generators. CREZ was a visionary investment in the infrastructure of our state and one of which all of its supporters should be proud.

**Variability and Storage**

With regard to wind's variability, or intermittency, your report missed the mark entirely. While mass electric storage will be a revolutionary development, it is not needed for renewable resources to contribute to our energy supply, particularly in a state with other abundant energy resources, especially natural gas. In a competitive power market and with the benefits of an advanced grid, our system is able to utilize resources collaboratively and to achieve cost savings while ensuring reliability. The system works and the system is reliable, while electricity prices have been falling.

In an easily achievable scenario that is extraordinarily beneficial to the Texas economy and would aid in our compliance with air and water regulations, Texas wind and Texas natural gas can deliver electricity in a collaborative fashion. Each provides unique benefits and, together, deliver cost savings, reliability, and all of the economic benefits that come with Texans powering Texas.

Wind's natural variability is addressed by high-efficiency, fast responding gas generators while the inherent volatility in natural gas prices is hedged through the use of low-cost, predictably-priced wind. Consumers save money, Texas becomes more energy self-reliant, water is saved, and environmental regulations are complied with – all while providing economic benefits to the state.

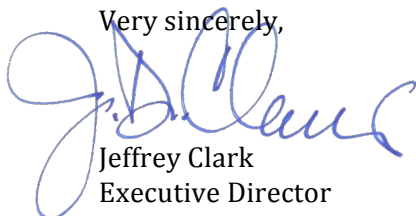
Wind energy struggles to compete against a wide variety of heavily subsidized energy sources, yet it continues to grow because it offers many unique benefits, some of which I have outlined in this letter.

The energy security and fiscal health of our state depend greatly on a diverse, reliable, affordable, and abundant energy supply. Using your office to lobby against one part of our energy mix is detrimental to the achievement of those goals. I urge you to take steps to remedy this.

To that end, we respectfully request that you formally withdraw this document and return it to the appropriate divisions of your agency for further contemplation and review.

I remain available, as always, to discuss this issue with you.

Very sincerely,



Jeffrey Clark  
Executive Director