

(BN) Wind-Power Lobby Counts on Iowa Farmer to Help Save Tax Break

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By Jim Snyder

Jan. 4 (Bloomberg) -- A video from the biggest U.S. wind-power lobby shows Tim Hemphill, an Iowa corn and soybean farmer, in a John Deere cap posing in a wintry field with wind turbines towering in the background.

"I just think they're fantastic," Hemphill, 64, of Milford, Iowa, says in the video, on the website of the American Wind Energy Association, as he bounces along in a truck on land he's worked for more than 40 years. "I wish the whole farm was covered with them."

Hemphill's is the face of the wind-power industry in telling lawmakers the alternative-energy source benefits rural America and Republicans, not just urban environmentalists and Democrats.

Developers and equipment makers such as General Electric Co. and Vestas Wind Systems A/S and other members of the wind association are using the video -- and extra lobbyists -- as part of a campaign to press Congress to renew a tax credit due to expire this year. Republicans have targeted subsidies to alternative energy as they seek to balance the federal budget.

Wind turbines are a "stable cash crop" for farmers, Rob Gramlich, vice president for public policy at the Washington-based trade group, said in an interview. Hemphill said the two turbines on his farm provide \$20,000 in income annually.

### Rural Economic Resources

Wind blows the hardest in sparsely populated regions of the U.S., such as the interior plains that stretch from the Texas panhandle to the Dakotas. That's provided an economic resource to rural communities such as Milford, a town of about 2,900

residents in the windy northwest corner of Iowa. Its representative in the U.S. House is Steve King, a Republican who supports renewing the wind credit and displays images of a wind farm on his congressional homepage.

Iowa, where the first contest in the Republican presidential race was held yesterday, gets about 20 percent of its power from wind, according to the Iowa Utilities Board. While extending the production tax credit hasn't been a focus among the candidates, former House Speaker Newt Gingrich has called for a 10-year extension for the industry.

### Republican Support Sought

The wind association is working to win over more Republicans, especially from rural areas, at a time when some lawmakers in the Republican-controlled House are criticizing President Barack Obama for giving tax breaks, grants and loan guarantees to renewable energy companies. Solyndra LLC, a maker of solar panels, won \$535 million in guarantees from the administration before filing for bankruptcy in September.

The association's political action committee has given \$9,000 to Republican House candidates and \$6,500 to Democrats since 2010, according to the Center for Responsive Politics, a Washington-based group that tracks campaign spending. It had favored Democrats when they led the House.

The committee continued to favor Democrats in the Senate, which that party controls, giving them \$16,000 and Republicans \$5,000 in contributions.

The industry also added lobbyists with ties to Republicans in Congress to help make its case. In July, the wind group hired Jim McCrery, a former Louisiana congressman who retired in 2009 as the top Republican on the tax-writing House Ways and Means Committee, to lobby for an extension of the credit, according to records filed with the Senate.

### Lobbyists Hired

NextEra Energy Inc., which says it's the largest wind generator in North America, hired John Feehery of Quinn Gillespie & Associates in December to push for the credit.

Feehery was press secretary when Dennis Hastert, an Illinois Republican, was House speaker.

While the wind tax break is a year from expiring, companies that benefit say the prospect of losing it is already hurting business and threatening jobs in 400 manufacturing plants across 43 states.

Extending the credit is the “No. 1 policy issue in the U.S.” for Vestas of Aarhus, Denmark, Martha Wyrsh, president of the company’s U.S. division based in Portland, Oregon, said in an interview.

The production tax credit, which also supports other renewable energy sources, is expected to cost the U.S. \$1.74 billion in fiscal 2012, which ends Sept. 30, according to the Treasury Department.

### Increasing Capacity

Wind turbines must be in the ground and spinning by the end of the year to be eligible for the tax break. The wind credit reduces an operator's tax bill by 2.2 cents times the kilowatt-hours of electricity it produces for 10 years. It effectively reduces the cost of wind-power, making it competitive with other sources of power, said the wind association's Gramlich.

Households, businesses and manufacturers paid an average of 9.3 cents per kilowatt-hour for electricity in 2010, though prices vary widely by region and fuel source, according to the U.S. Energy Information Administration.

Wind capacity in the U.S. has increased an average 35 percent annually in the five years through 2010, putting it second only to natural gas in added capacity, according to the wind-energy industry. Wind nonetheless accounted for about 2 percent of the electricity produced in the U.S. in 2010, far from the industry’s long-term goal of 20 percent.

While a bipartisan alliance of lawmakers has supported the wind-energy tax break since its introduction by Senator Charles Grassley, an Iowa Republican, in 1992, Republicans are divided over renewing it amid pledges to reduce the federal deficit.

### ‘Mature’ Industry

Wind is a “mature industry” so “there’s no justification whatsoever” in giving it federal aid that should go to researching new energy technologies, Senator Lamar Alexander, a Tennessee Republican and long-time critic of the industry, said in an interview.

Republican Representative Mike Pompeo, whose home state of Kansas has the second-highest wind-resource potential in the U.S., according to the wind group, introduced legislation to repeal all energy-specific subsidies. He says they lead to “crony capitalism” and a misallocation of taxpayer dollars.

“Why would someone from Kansas want to subsidize a California solar company, and why would someone in California want to subsidize someone in Kansas?” Pompeo said in a phone interview from his district, which is home to a 150-megawatt wind farm developed by Iberdrola SA, based in Bilbao, Spain. “We’ve been doing it for decades, and we ought to stop.”

Republican Representative Charles Bass of New Hampshire said at a renewable energy event in Washington last month that he expected an extension to be included on a larger tax bill this year.

### Temporary Credit

The tax credit’s expiration amounts to a “policy-induced cliff” for the wind-energy industry, said Matt Kaplan, associate director of IHS Emerging Energy Research, a division of IHS Inc., in an interview.

An IHS study projects wind installations may reach 10.7 gigawatts in 2012 as companies try to get projects online before the tax benefit ends. A gigawatt powers about 300,000 homes, Kaplan said. Without an extension, development could fall to 1.5 gigawatts in 2013, Kaplan said.

Unlike breaks for oil and gas companies that are a permanent fixture of the tax code, the production tax credit has usually been extended temporarily, if routinely, for one to two years at a time.

Executives including Vestas’s Wyrsh have flown to Washington to make personal appeals to federal lawmakers to renew the benefit.

“It’s provided the opportunity for the U.S. wind industry to really take off,” Wyrsh said in an interview.

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