



Wind Power II: The Wind-farm Eruption

Those of us who drive in the Midwest or Southwest are often startled to see a plethora of wind turbines sprouting like overnight mushrooms in an area we remember as farms or grazing lands. But unlike the fragile mushrooms that we kicked over when walking to school on spring mornings, these mushrooms have 700-ton concrete bases, are nearly 30 stories tall, and cost upwards of \$3,570,000 each. What caused all this to happen since our last trip to the area? Who is footing the bill? And why?



Will the Real Constructors Stand Up?

To find who is driving the construction of these massive fields of wind turbines, and who's paying for them, it behooves us to know who is *not* behind them, such as electricity *consumers*.

In a Heartland Institute article,* Penny Rodriguez writes about attempts by city officials in Austin, Texas, to push city residents to buy "renewable" energy through Austin Energy, which is controlled by the city. Austin Energy contracts with wind farms and solar projects to supply energy, and Austin Energy tries to convince users to buy "green power."

City residents have declined to sign up for higher rates under the city's voluntary GreenChoice program.

Contracting with renewable power providers and offering the service to customers sounded like a good idea to city officials until the price tag came in at up to three times the cost of conventional power. City residents aren't buying.

Fancy that.

Rodriguez continues, "In one of America's most liberal cities and one that prides itself on its environmental awareness, the latest allotment of renewable power is 99 percent unsold after seven months on the market." Did the city council see the errors of its ways and mend them accordingly? Hardly. It has now mandated that Austin Energy generate *30 percent* of its electricity from renewable sources by 2020, and has contracted to purchase \$250 million of solar power from an array to be built near Webberville, Texas.

The citizens of Austin are paying for the wind farms — through higher utility rates — but they aren't becoming stockholders. Just poorer. Perhaps electric consumers are secretly investing in "renewable" energy, but they are certainly not banding together to put up wind farms. It appears that they would just rather not be bothered about where energy comes from, just so long as it is there when they flip the switch.

Also not behind the wind farms are rank-and-file *environmentalists*. These folks, who travel in Priuses and not private jets, stare with us in disbelief at the mountain ridges where they battled furiously against walking trails — and which now host gawky football field-sized blades surrounded by denuded



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acres (trees would disrupt wind flow to the turbines), miles of roads big enough to bring in a 400-foot crane, miles of trenching for the underground cables necessary to bring the 25,000-volt outputs to a central transformer, and thence many more miles of high-voltage power lines to deliver the power to a power grid. They're not smiling much any more. Nor are Audubon Society members who were promised that the term "Avian Cuisinart," used as a synonym for wind turbines, was just right-wing hyperbole, until someone thought to count the dead hawks, eagles, and other birds and bats without allowing time enough for ground scavengers to make off with the evidence. As this group learns the real scoop on wind energy, they are becoming very angry.

Some elitist environmentalists and the heads of environmental organizations do try to whip up grassroots fervor for wind power, but they don't put their money where their mouths are. A wind farm with 25 1.5 MW turbines costs upward of \$100,000,000. Although the leaders of Greenpeace, the Sierra Club, or the ridiculously misnamed Union of Concerned Scientists are evermore touting "green, renewable energy," a listing of the major players doesn't provide any evidence that these groups are putting their money up for wind-farm construction. While our environmentalist neighbors pay lip service to "clean energy" and "free fuel," they are seldom if ever involved in wind-farm projects.

The environmental movement is becoming increasingly fractionated by the wind energy controversy. The *uber radicals* at the top of the various "green" movements — and high in the Obama administration — are for wind energy precisely because it doesn't work. (Think about it. None of the projects/techniques/schemes of providing energy supported by the government has any chance to produce industrial-grade power in significant quantities. All of those that have a chance — such as coal-to-liquid fuel conversion and community-sized, inherently safe reactors — are stifled by the environmental bureaucracy for various reasons, primarily global warming and nuclear waste. Both rationales are almost exclusively based on counterfactual claims, poor hypotheses, and hysteria rather than real danger. A reasonable person would have to say that it is too coincidental that radicals always land on the side of the argument for reducing the energy assets of the United States. I think it is important that we all realize this and assess all government programs in light of it.)

Radical environmentalists know as well as we do that nuclear power is the safest, most reliable, and cleanest source of electricity. They know a single nuclear plant delivers the same power over a year as does a 300-square-mile wind farm with 2,200 30-story wind turbines, the difference being that the nuclear plant delivers energy when needed, not just when the wind is blowing. If you want to de-industrialize the Western world, you champion energy sources that will lead us back to the days of human and animal power, and those are wind and solar power.

For those environmentalists who want the smallest environmental impact by humans on the planet, without the goal of de-industrializing our economy and culture, the battle is on with their leaders.

In the case of *utility companies*, they and grid operators, who must provide "dispatchable" electricity, are more than just a little disenchanted with wind power, except in the case of politically motivated or subsidy-chasing individuals. As we note in the upcoming November 8 *New American* cover story "An Ill Wind Blowing?" (page 10), grid operators have no trouble with wind turbines — as long as their output is zero. This is true because electricity must be used at the moment it is generated, and these "frequency chasers" (so named because they must keep the grid frequency at 60.0 Hz) balance electricity generation with fluctuating power *demand*. When the power *supply* is also fluctuating, as it does when winds increase or decrease in speed, balancing loads on the power grid is much more difficult. When the wind component of a power grid reaches five percent, serious instabilities begin to



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occur. (Of the highly touted 20-percent wind generation in Denmark, only a few percent is used by Danish users, who pay the highest electric rates of any industrialized country. The vast bulk of Danish wind energy is sold at a loss to the much larger German-controlled and Norwegian grids that can accommodate the volatility of Danish wind generation.)

So while some utility executives are leftists and support “renewable energy” as an article of faith, with others pandering to vocal green factions and politically liberal regulatory agencies, most, we suspect, would love to be free of the political and economic distractions to concentrate on the important work that must be done in providing us electricity — a life-giving and life-enhancing commodity.

Even professional *lobbyists* and lobbying organizations on behalf of wind power don’t fund wind power, though they do convince politicians to spend plenty of taxpayer money (our money) on wind farms. The largest wind lobby, the American Wind Energy Association (AWEA), is a strong supporter of centralized government control. If you want one-sided propaganda about the benefits of wind energy, and how to get in cahoots with the manufacturers, this organization is your one-stop shopping mall. It represents itself as a scientifically based organization, but always avoids the real question regarding wind energy: Can electricity be delivered when it is needed?

The AWEA is, for example, in the forefront of pressuring the Senate to pass a “National Renewable Electricity Standard” during the coming lame-duck session of Congress. This would mandate a national requirement for all electricity producers to obtain a certain percentage of their energy generation from “renewable” sources, with wind being the primary alternative — especially given the dreadful performance of solar plants, which average only 16 percent of their stated capacity (as opposed to 20-35 percent for wind). This would be a huge subsidy for wind proponents as the full power of the government would require electricity users to buy “green” power no matter what its cost.

When politicians offer a subsidy on a commodity or service, several actions occur almost instantaneously: Entrepreneurs will begin tooling up to create the subsidized item, the subsidized industry will hire new workers, and then it will employ the best lobbyists it can find. The product being created doesn’t affect the pattern. If the product is curb-feelers, then you can bet the curb-feeler industry will be hiring, form an association of curb-feeler manufacturers, and hire lobbyists to convince Congress that curb-feelers are necessary for our children’s safety, will stimulate our economy, and, moreover, without them our national security will be threatened. Substitute wind power for curb feelers, and you’ve got the message. But do we see AWEA comrades coming up with big bucks for \$100 million wind farms? I don’t think so.

Finally, there’s the *mainstream media* and *liberal politicians*. Though these individuals and corporate cronies are promoters of wind power and are happy to cause money to be spent on wind farms, they’re not known for investing their own dollars.

The Driving Force

There are many wind-power worshippers, but we haven’t located the individuals or groups with the deep pockets and clout to set in motion all of the wind-turbine construction that we’ve seen disfiguring the U.S. landscape.

You have probably never heard of the largest wind-energy producer in the United States: NextEra Energy, formerly the FPL group — which you have likely never heard of either. You will have heard of other big investors, however: BP, Shell, GE, and Goldman-Sachs, for example.

Why are these large corporations and investment firms the main financiers of wind energy, not the



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utility companies that already have electricity-generating infrastructure and have been providing us with power for decades? The common denominator here is lots and lots of money — and lots and lots of tax liabilities.

These companies are not so much interested in creating power, but in siphoning government subsidies and taking advantage of “renewable” energy tax breaks. Let us use an example by Glenn Schleede, who was Associate Director of the Office of Management and Budget under Ronald Reagan and is a well-known critic of industrial wind energy, in a memorandum to Governor Bob McDonnell asking him to “consider objectively the true costs and benefits of electricity from wind” to the citizens of Virginia. He first cites the “Five-Year Double Declining Balance Accelerated Depreciation” (often referred to as “5-year 200% DB”) that is allowed for calculating the share of “wind farm” capital cost that can be deducted from taxes by “wind farm” owners and their “tax partners.”

As the table shows, in six years the tax liability on the owner of a \$100 million “wind farm” and his “tax partner” has been reduced by \$41 million, a schedule not allowed for traditional generating facilities that have longer and slower depreciation periods, typically 20 years.

Tax Shelter & Cash Flow Benefits: 5-Year 200% Declining Balance Depreciation for a \$100 million “wind farm”				
Tax Year	Deduction from Otherwise Taxable Income		Reduction in Corporate Tax Liability	
	% of Capital Investment (both equity & debt)	Amount	Federal Tax Avoided (35% tax rate)	Virginia Tax Avoided (6% tax rate)
1	20%	\$20,000,000	\$7,000,000	\$1,200,000
2	32%	\$32,000,000	\$11,200,000	\$1,920,000
3	19.2%	\$19,200,000	\$6,720,000	\$1,152,000
4	11.52%	\$11,520,000	\$4,032,000	\$ 691,200
5	11.52%	\$11,520,000	\$4,032,000	\$ 691,200
6	5.76%	\$5,760,000	\$2,016,000	\$ 345,000
Total	100%	\$100,000,000	\$35,000,000	\$6,000,000

Clearly such a write-off is an investment for companies such as Dominion Resources, Duke Energy, Iberdrola, and other players with large profits and tax liabilities.

When a wind farm is online and generating, it receives a \$0.021 “Federal Production Tax Credit” for each kilowatt-hour (kWh) of electricity generated for its first 10 years of operation. A 100-million-dollar project would have a rated capacity of about 40 megawatts (MW) and, with a capacity factor of 30 percent, would generate 105.4 million kWh per year, providing a subsidy of \$2.2 million per year or \$22 million dollars over 10 years.

But since our Congress thought it cruel for wind-farm owners to be required to wait for their money, or perhaps the wind farmers weren’t generating as much power as had been anticipated, our wind farmers and their tax partners are offered the option of an Investment Tax Credit (ITC) of 30 percent of capital costs, in our case \$30 million. But wait. What if the owners didn’t need the tax credit? Thankfully the “stimulus” legislation made wind-farm developers (and their tax partners) eligible to receive an equivalent *cash grant* from the U.S. Treasury in lieu of the ITC.

Then, too, some states offer their own ITC. For Arizona it’s 10 percent, so off comes another \$10 million.

There’s more. In fact, we’re just getting started. Not only are taxpayers gouged, but the ratepayers are forced to take a hit also. Here’s how this scam works. Legislators, the self-anointed energy experts and protectors of the environment, decree that electric utilities must obtain such-and-such percentage of their energy from “renewable” sources. This is called a Renewable Portfolio Standard, or RPS. The utilities, being required to supply “green” energy, must find a source for it. Enter from stage left the aspiring wind farmer and his tax partner with their sales pitch: “We know you’ll be needing some ‘green’ electricity, so we’re here to offer you our help. Now if you’ll just sign this 20-year contract



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promising you'll use our electricity first, and that you'll pay a small premium for this electricity because of our greenness, then we'll give you these Renewable Energy Credits (RECs) to show to the state so they won't fine or imprison you for not meeting their RPS."

Now how does this work? "Our" government mandates the utilities to buy expensive, unreliable energy from wind farms, and the utilities then pass these higher costs through to the ratepayers. We then blame the utilities for raising our rates. Tricky, no?

It's not unrealistic for a utility to pay an extra three cents per kWh above the market rate for electricity. (Nuclear electricity costs \$0.0203 per kWh, including all the maintenance, insurance, and decommissioning costs.) Using the same MW and capacity factor as in federal calculations, the wind-farm owners now add to their take a contract worth \$3,942,000 per year or \$78.8 million over the 20-year contract period — not for electricity, but for the subsidy caused by the "need" for "green power," caused by the mandate brought about by politicians, most of whom don't know a kilowatt from a kumquat.

Not bad. Tax savings for the wind farmer and his "tax partner" of \$41 million plus an ITC from the federal government of \$30 million, another ITC from the state for \$10 million, and a contract for \$78.8 million — all of this without generating a single kilowatt-hour of electrical energy. Again, there's more, such as zero sales tax on equipment, no property taxes, and low rates for equipment assessments, not to mention a variety of subsidies, grants, and other unpublicized deals to attract support for a commodity (wind-generated electricity) that otherwise would not exist.

It is virtually impossible for anyone not intimately involved in a wind-farm project to have knowledge of all the subsidies and benefits, but we can see how this actually shakes out in a real-world example, in this case NextEra Energy (formerly FPL group).

Among other assets, NextEra owns Florida Power and Light with total revenues of \$15.6 billion and a net income of \$1.62 billion. At the corporate tax rate of 35 percent, their federal tax liability would be \$567 million in 2009 *alone*.

BusinessWeek magazine reported in April 2009 that the FPL Group (now NextEra Energy) had an annual tax rate of 1.3 percent on more than *\$7 billion in earnings over the last four years*. This amounted to *a total of \$88 million in taxes*. Analysts in *BusinessWeek* explained this low rate was possible given tax breaks for having invested in alternative energy. The article added, "To ensure those tax rules reach into the future, FPL employs a cadre of well-placed Washington lobbyists. In 2008, the company paid well over \$500,000 to five top-drawer firms to make its tax case to Congress, the White House and the U.S. Treasury." Makes one wonder how much over \$500,000 they spent and which legislators and other officials were benefactors of this largesse.

While it's a fact that wind-powered ships discovered the New World and opened up exciting frontiers, and wind power was used to pump water to keep Holland from sinking into the sea and to water cattle on U.S. prairies, no matter what the advocates of wind power say, and regardless of the subsidies paid, wind is not a substitute for fossil fuel, hydroelectric, or nuclear generating plants. As Glenn Schleede summarized in his memorandum to Governor McDonnell:

- Electricity from wind is very high in true cost and very low in true value.
- The wind industry and other wind energy advocates greatly overstate its benefits and understate its adverse environmental, economic, energy, scenic and property value impacts.



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- Claims of job and economic benefits from “wind farms” are greatly exaggerated.
- “Wind farms” are being built primarily for lucrative tax benefits and subsidies for their owners — not because of their environmental or energy benefits.

It is not like we don’t have a map of our future if we continue down this road of subsidizing wind and solar energy. In Europe, particularly Denmark, Germany, and Spain where the wind-generation subsidies have been as lavish or more so than ours, there has been a strong reaction — revolt is probably a better word — against the transfer of taxpayer and ratepayer wealth to the purveyors of “renewable” energy. In those countries electric rates have risen dramatically, with Denmark having a rate three times the average in America. As reported by Andrew Gilligan in the September 12, 2010 *New York Times*:

Unfortunately, Danish electricity bills have been almost as dramatically affected as the Danish landscape. Thanks in part to the windfarm subsidy, Danes pay some of Europe’s highest energy tariffs — on average, more than twice those in Britain. Under public pressure, Denmark’s ruling Left Party is curbing the handouts to the wind industry.

Americans must educate their legislators and the public about the pitfalls of wind subsidies before we find ourselves with not only high energy costs, but with decreased productivity from squandering our capital on wasteful piddle-power projects.

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* “Austin Consumers Avoid Pricey Renewable Power,” *Environment & Climate News*, October 2009.

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