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## Iowa Wind Farm Generates More Tax Credits Than Electricity

By Grant Kidwell

After reaching a settlement with some of its biggest customers this summer, the Warren Buffett-owned utility company MidAmerican Energy may soon build a massive new wind farm in Iowa. The thing is, electricity is far from the only thing it will generate. Known as “Wind XI,” the proposed 2,000 megawatt wind farm—Iowa’s largest ever—has the potential to produce a lot of electricity, but even more tax credits.

In total, Wind XI could generate up to \$1.8 billion in tax credits for its backers over the next decade.

The winners? Warren Buffett; MidAmerican Energy’s other investors; and Facebook, Microsoft, and Google—MidAmerican’s biggest customers, who will receive tax benefits of their own for using wind energy. The losers? Taxpayers and other ratepayers footing the bill.

Unfortunately, this is part of an ongoing trend in wind energy across the country. It’s not the demand for more electricity that’s driving construction, but rather the government’s preferential tax treatment and counterintuitive energy mandates.

The demand for electricity in the U.S. has been nearly flat over past decade, due to slow economic growth and gains in energy efficiency. Despite the lack of new demand, new wind farms are popping up across the country because of the tremendous tax credits they generate for their owners.

Warren Buffett has admitted as much. In 2014 he explained: “I will do anything that is basically covered by the law to reduce Berkshire's tax rate [. . .] We get a tax credit if we build a lot of wind farms. That’s the only reason to build them. They don't make sense without the tax credit.”

And the tax credits Buffett mentions are substantial. Although MidAmerican Energy likes to note that Wind XI is not receiving any financial incentives from Iowa, that’s only half of the story. The federal government provides \$23 in credits for every megawatt hour—the large-scale unit of production for energy-- of electricity produced by wind and other alternative energy sources. Known as the production tax credit (PTC), this government giveaway means that MidAmerican’s new wind farm could generate \$180 million in credits each year.

The federal government does even more than that to ensure green energy producers get ample benefits. MidAmerican Energy can use the PTC for up to 10 years, after recent regulatory changes expanding the life of the credit. In addition to the tax credits, government regulators set a fixed rate of return for MidAmerican Energy to charge its customers. MidAmerican will receive a guaranteed 11 percent return on equity for Wind XI, meaning it will rake in \$395 million in profit over the roughly 30 year life of the project.

Another set of reasons why new wind farms are in high demand are energy mandates at both the state and federal level. Currently, 29 states have renewable portfolio standards mandating utilities to generate a certain percentage of their electricity from sources such as wind and solar. On the federal level, the Environmental Protection Agency's recent carbon regulations—if eventually upheld by the Supreme Court—will shutter many traditional power plants, leaving wind farms to take their place.

In other words, government policy is doing everything in its power to set the stage for wind. Those investing in wind stand to reap guaranteed profits, while taxpayers and ratepayers have to pay more in the end. In terms of tax dollars, the production tax credit for wind is estimated to cost taxpayers \$13.8 billion between 2014 and 2018. Energy mandates, meanwhile, will drive up electricity prices as traditional energy sources are phased out for costlier power provided by wind and solar. The EPA's carbon regulations that would potentially go into effect in 2022, for example, could raise electricity bills for the average American family 14 percent higher than they were a decade prior.

Public officials must stop gearing energy policy around the promise of guaranteed profits for well-connected energy investors like Warren Buffett. This hits average Americans once in their taxes and twice in higher electricity bills, which raises the prices on goods and services as well as utilities. If wind farms like the one Iowa will soon get are worthy investments, it should because of the power they generate—not the tax benefits.

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