

# Utilities Must Act Now to Save Millions with Wind Power

In December 2015, the United States Congress passed the first-ever long-term extension of the federal Production Tax Credit (PTC) with a phase-out by 2020. Each year a wind farm developer delays construction, the PTC value declines by 20%. Smart utilities will expedite purchasing of wind energy to secure the absolute lowest prices for their ratepayers.

## Utilities Should Act Now or Lose Millions

With the long-term extension of the federal Production Tax Credit (PTC), it is more important than ever that utilities and regulators understand the benefits of immediately contracting for wind energy resources. **Already this year, over 1.5 gigawatts of renewable energy requests for proposals (RFPs) have been announced by a variety of southern electric utilities.**

But the PTC is rapidly running out. For every year hereafter, the value of the PTC declines by 20%, until it is completely eliminated for new wind farm projects that begin construction in 2020. **By delaying a single year, utilities could lose at least \$21.7 million on a 100 MW wind energy project. For a 100 MW farm with a 50% capacity factor, this increases to about \$27 million. As capacity factors or the size of the wind energy purchase increases, so do the federal PTC savings.**

## Timing Matters

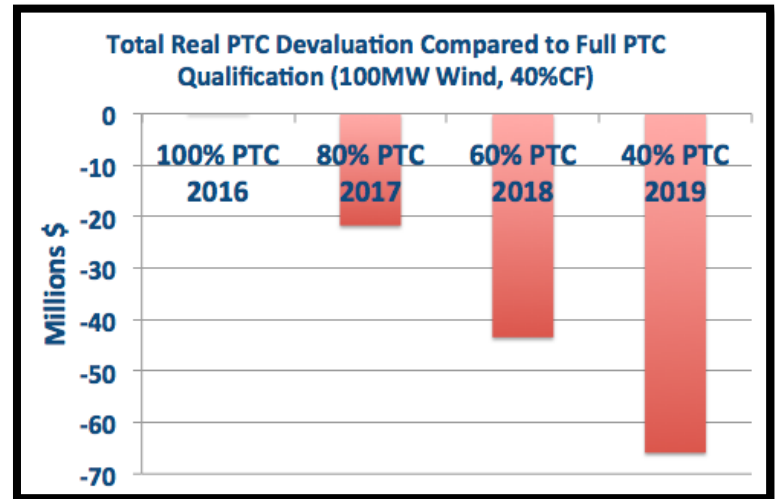
Appalachian Power (Virginia/West Virginia) released an RFP for wind energy in January. They announced a 120 MW winning bid in early June – **a six month process.** Appalachian Power will increase its total wind portfolio to 495 MW with this new purchase. As another example, MidAmerican (Iowa) announced plans in April to begin construction on 2,000 MW of wind energy this year and received regulatory approval by September – **a five month process.** MidAmerican will generate 85% of its electricity from wind power after it finishes construction. **As wind farm developers submit proposals to multiple utilities, the fastest moving utility will out-compete others for the best wind power deals.**

## Sellers Market for Wind Energy

By delaying procurement of wind energy resources, utilities risk losing hundreds of millions of dollars. As smart utilities rush to sign wind energy power purchase agreement (PPA) contracts, slower utilities will lose the ability to contract with the absolute best wind energy resources. **Wind power is in a sellers market – developers can rapidly find new buyers that are willing to negotiate and cooperate with a sense of urgency.**

**Small RFP's with excessively long processes (beyond spring 2017) may artificially increase wind power prices, and risk losing wind power proposals to faster moving utilities.**

To learn more about SWEA, visit [southernwind.org](http://southernwind.org) or contact [simon@southernwind.org](mailto:simon@southernwind.org)



Adapted from Mark Bolinger, "An Analysis of the Costs, Benefits, and Implications of Different Approaches to Capturing the Value of Renewable Energy Tax Incentives", Lawrence Berkeley National Lab 2014

## Size Matters

Arbitrary RFP restrictions, particularly restrictions limiting the size of a proposal, risk excluding some exceptional wind power proposals. Wind farms, like many other power generation technologies, can achieve economies of scale and reduce prices. Based on actual total installed price comparisons, wind farm projects with an installed capacity between >20 MW & ≤50 MW\* are roughly 10% higher cost than projects with >100 MW capacity. **In effect, placing arbitrary restrictions in RFPs potentially raises the price of wind power proposals.** Already, average PPA's across the South's existing 3.5 GW of wind power contracts are over 124 MW.

## Smaller Wind Farms Tend To Be More Expensive (2015)

| Project Size | Total MW Installed | \$/kW Installed |
|--------------|--------------------|-----------------|
| < 5 MW       | 15 MW              | \$3,412         |
| 5-20 MW      | 79 MW              | \$1,931         |
| 20-50 MW     | 48 MW              | \$1,718         |
| 50-100 MW    | 646 MW             | \$1,798         |
| 100-200 MW   | 2,224 MW           | \$1,827         |
| > 200 MW     | 2,760 MW           | \$1,538         |

\*2014 figures were used for 20-50 MW costs to account for statistically insignificant sample size of 2015 projects in that category.

The Southern Wind Energy Association (SWEA) works within an eleven-state region to identify and remove barriers to wind development by focusing on regulatory and legislative work.

