

John McClaughry's recent commentary, printed in this paper July 12th, pretended to answer the question of "how to make a bundle in the electric energy business in the little state of Vermont". He answers the question by listing several financial incentives offered to wind power and implies that these incentives are unfair and unwarranted.

However, he fails to point out the massive subsidies given to the nuclear and fossil fuels industries in comparison. Thus, I think an important follow up question to McClaughry's is: Suppose you were an apologist for the nuclear and fossil fuel industries and wanted to stop wind power from competing with these polluting energy sources, how would you go about it?

Well, you might write an op-ed that misleads the public by describing ways the state and federal governments have worked to promote renewables without mentioning how meager these efforts are compared to the huge financial subsidies that have been heaped upon the nuclear and fossil fuel industries for decades.

You most definitely would not want to bring up the fact that the vast majority of federal energy subsidies have gone, and continue to go, to the nuclear and fossil fuel industries. You would bring up the fact that wind farms can take advantage of an accelerated depreciation, but you would forget to mention that the gas and oil industries have a more generous depreciation allowance in addition to many other tax credits and subsidies that the wind farms don't.

You would be careful not mention the there is nothing the renewable energy industry would want more than a level playing field when it comes to direct and indirect subsidies. Nothing should be said about the environmental and health costs that nuclear and fossil fuel power forces upon the taxpayers.

How about Asthma? Mining pollution? Acid rain?, Smog? Global Warming? Exportation of dollars to import energy? Energy Security? No, no, no, all of these topics would be off limits, as they do not shine kindly on nuclear and fossil fuels.

You would suggest that the modest steps being taken in Vermont and the Northeast to address the threat of climate change is really an effort to subsidize wind or solar. Of course do not even raise the subject of the threat of climate change and the contribution burning fossil fuels are making to this problem.

And when pointing out popular programs that support renewables you would leave out important information. Like the fact that the 1.9-cent federal tax credit for wind power also applies to refined coal facilities (for more time than wind power) and certain coal plants. And you certainly would not point to the new production tax credit for nuclear power facilities or to the 20% tax credit offered to "clean coal" plants.

You would also be careful not to bring up how your friends in the US congress showered the electricity, coal, nuclear, natural gas and oil industries with \$8.5 billion in tax breaks and billions more in loan guarantees and other subsidies in the 2005 Energy Act.. You would want to keep quiet about the \$1.5 billion appropriated for oil and natural gas drilling research that aid such companies as Haliburton, despite the fact that such companies are raking in record-breaking profits.

You would continue by making false claims that Vermont's Act 61 requires utilities to buy wind power regardless of its costs (which it doesn't) and you would avoid any mention that Vermont utilities are now eager to purchase wind power because it is being sold at rates below market and can be purchased at a fixed rate for 20 years.

Even after all that biased rhetoric you would continue with your attack by ignoring the numerous polls showing that the vast majority of Vermonters desire increased levels of renewable energy, including wind turbines on ridgelines.

You see, what McCloughry and the polluting power industries don't want you to know is that unsubsidized clean renewable energy will compete any day with an unsubsidized fossil fuel and nuclear energy. Until then, don't let them distort the few crumbs of governmental incentives given to wind power as the nuclear and fossil fuels industries devour billions in subsidies and rig market rules to their advantage.

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Suppose you wanted to make a bundle in the electric energy business in the little state of Vermont. How would you go about it? The old-fashioned way would be to generate electricity at a lower cost than your competitors. But forget that — too demanding. Here's another way: Get the federal and state governments to rig the deal in your favor.

A good time to begin would be 1980, just after Congress, egged on by liberals and enviros, enacted a bill called PURPA. Under PURPA, states were required to coerce their electric utilities into buying the electricity from small hydro plants, at prices based on the price of oil reaching \$100 a barrel by 2000. With your hydro plant up and running, the utilities would have to pay you two or three times what turned out to be the spot market price.

With that money machine working for you, it would be time to look for greater rewards. That would lead you to Big Wind.

The technology is there. The current industry standard wind turbine has a rated capacity of 1.5 megawatts, with blade tips reaching 330 feet above the base. (Even larger units are coming soon.) The windy ridgelines are there.

And most importantly, the subsidies are there — lots of them.

First, a wind project owner can write off his capital costs from federal and Vermont taxes over five years. This rapid depreciation feature means that he can get back over half of the cost of the capital investment in two years.

Not bad.

Then the federal government gives you a really nice bonus, a 1.9-cent credit for each kilowatt-hour produced. Hmmm, very good.

To top it off, the power you produce qualifies as "green power" and can be sold at a nice premium to utilities required to buy "renewable energy credits" by state-imposed "renewable portfolio standards" or state or regional "cap and trade" schemes.

To ease your path toward big profits, a friendly governor like Howard Dean can get a \$50,000 federal grant to underwrite an advocacy organization to peddle the merits of renewable energy, of which your variety will be by far the major beneficiary.

Through your generous support, you can get enviro groups like the Vermont Public Interest Research Group to clamor for Big Wind. You can hire VPIRG's

executive director to be your chief political operative. You can even write a newspaper commentary explaining how welcoming industrial wind farms into Vermont is equivalent to earlier Vermonters' demand for the abolition of slavery.

And there's our wonderfully liberal Legislature. There your friends can push through a "renewable portfolio standards" bill to require the utilities to buy your wind power regardless of its cost to the ratepayers (Act 61 of 2005). They can persuade the solons to extort \$15 million from the state's one dependable, efficient, but unpopular (with enviros) nuclear plant to create a "Clean Energy Development Fund" to subsidize among other things wind energy projects (Act 74 of 2005). They can also make sure that the expected revenues from the Regional Greenhouse Gas Initiative are used to subsidize renewable energy causes like Big Wind, instead of just reducing everybody's electric bills (Act 123 of 2006).

Even with all these successes, there are still some annoying obstacles. Lots of rural Vermonters don't want to look at gigantic wind towers marching along their ridgelines — especially when tax incentives are the main reason for their being there. A PSB hearing officer recommends against the East Haven project because it would somehow detract from the eco-values embodied in the nearby Champion Lands. The Agency of Natural Resources objects to the effects of wind turbines on birds and bats.

But with the generous tax benefits, the utilities forced to buy your power at above market rates, the profitable market for selling "green power" credits to out of state utilities, and the prospect of handouts from the Clean Energy Development Fund and the RGGI program, winning the Big Wind game may still worth the political investment.

There is however one threatening idea to worry about. That is the idea of the state levying a 1.9-cents-per-kilowatt-hour tax on industrial wind energy production. That would neutralize the federal production tax credit incentive and make wind projects compete in the energy marketplace. That would bring Big Wind down overnight. But maybe no one will think of it.

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