



April 9, 2010

The Honorable Sander M. Levin
Chairman, House Ways and Means Committee
1236 Longworth House Office Building
Washington, DC 20510

Dear Chairman Levin:

As the House Ways and Means Committee develops new energy tax legislation with a focus on job creation, I am writing on behalf of Puget Sound Energy (PSE) to urge you to include an important revenue-neutral technical adjustment to the renewable energy grant program created in the American Recovery and Reinvestment Act (ARRA) and to incorporate H.R. 4599, the Renewable Energy Expansion Act of 2010. Both of these additions to your legislation will significantly boost the development of green jobs and renewable energy in the Pacific Northwest and nationwide.

PSE appreciates that in adopting ARRA, Congress created a new grant program ("1603 Grants") to encourage the more rapid development of renewable electricity in an era when financing new projects has been a serious challenge. These grants provide developers of renewable electricity facilities with a grant of up to 30% of the qualifying cost of a new facility. This grant is taken in lieu of receipt of the production tax credit (IRC Section 45).

Before ARRA, the wind industry expected up to a 50% drop in wind development. Thanks in large part to the Section 1603 grant program, such a collapse was avoided and 9,922 MW of new wind power was installed last year, expanding the American wind fleet by 39%. The American Wind Energy Association (AWEA) has generally estimated that for every 1 MW of wind power installed, \$1 million in economic development follows in the form of planning, construction jobs, and other impacts.

As one example of the jobs and renewable energy benefits of the ARRA grant program, PSE was pleased to receive a \$28.6 million grant to offset the \$100 million investment of a recent 22 wind turbine and 44 MW expansion to our Wild Horse Wind and Solar Facility in Central Washington. This expansion project required more than 150 construction workers and provided indirect employment for vendors, contractors, transportation workers, and others. Overall, the Wild Horse facility supports 30 permanent maintenance and operations positions, boosts local tax revenues, and provides strong, stable income to the leaseholders we work with.

Unfortunately, for the customers of regulated utilities, a significant issue has arisen subsequent to the passage of ARRA. Unfortunately, the Treasury Department has interpreted Section 1603 in a way that would result in regulated utilities having to "normalize" the value of the grant over the long period. Unfortunately, because of this, regulated utilities are prevented from quickly

returning the benefits of the federal incentives for wind development to their customers. As a result, many regulated utilities and their customers will be unable to fully benefit from this provision. For example, if normalization was not at issue, PSE's more than 1 million electric customers would have received approximately 50% more of the benefits of the recent Wild Horse Expansion grant.

Looking forward, the normalization issue poses significant challenges for Puget Sound Energy's planned Lower Snake River (LSR) project in Southeastern Washington State. PSE is preparing an overall project of more than 1,000 MW of wind power in Garfield and Columbia Counties in Washington State, to be built in phases, with the first phase beginning in 2010 and requiring up to 187 construction workers. As a utility, PSE is optimistic that many components for LSR may be assembled domestically (for example, it is likely that the blades will be assembled in Iowa) and we are encouraging our suppliers to do so in order to further boost domestic job impacts. As previously noted, normalization reduces the benefits of the grant that flow to our customers and if normalization is removed by Congress, PSE's customers would receive approximately 50% more of the benefits of a grant awarded for this project. Simply put, the normalization provision is a serious hindrance to PSE's finance plan for LSR, could impact the ultimate size and scope of this project, and would have resulting jobs impacts if not removed. Removal of the normalization provision would make renewable energy projects more affordable for customers of regulated utilities, thereby helping keep energy costs lower for residential and commercial customers during tough economic times.

Due to these significant adverse impacts, I strongly urge the Ways and Means Committee to include a revenue-neutral normalization correction to this existing grant program in upcoming energy tax legislation.

On a separate but related subject, the leadership of Congressman Earl Blumenauer and the many original co-sponsors from the Ways and Means Committee, including Washington State Congressman Jim McDermott, is a strong testament to the importance of, and broad support for, H.R. 4599. Congressman Blumenauer's H.R. 4599 is an important extension to the ARRA 1603 grant program, which has been tremendously successful in boosting America's wind industry and creating green jobs.

Unfortunately, ARRA 1603 grant program is soon to expire – projects must be placed in service or begin construction in 2009 and 2010. We strongly support Congressman Blumenauer's legislation as a sound vehicle for an extension of this much needed program and encourage you to include it in any energy tax legislation reported out of your Committee. We are particularly pleased that H.R. 4599 would correct the normalization issue for the new tax-based program going forward and we ask the Committee to retain that provision if this legislation is incorporated into your energy tax bill.

Building a sustainable, long term renewable energy industry in America is of urgent and long term importance. Uncertainty in federal incentives has historically been a barrier to the development of renewable resources and to attracting capital for this purpose to our country – allowing ARRA Section 1603 to sunset will lead to the enormous loss of wind industry jobs and hinder an even more robust domestic industry. Consequently, PSE strongly supports passage of

an extension of this important incentive – not only will it extend a vital program, but placing the incentive under exclusive Ways and Means jurisdiction in the House makes its future stability more likely. This is a much needed step to continue the substantial recent growth of America's wind industry. H.R. 4599 is a win-win for job creation and the development of clean wind energy generated here in America. You or your staff should feel welcome to contact Nina Odell at (425) 462-3990 to discuss these issues further.

Thank you for your continued leadership on energy issues and for your consideration of our views and requests.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Reynolds', with a stylized flourish at the end.

Stephen P. Reynolds
President and Chief Executive Officer
Puget Sound Energy

cc: The Honorable Jim McDermott
The Honorable Earl Blumenauer
John Buckley
Kase Jubboori