

“The Financial Benefits of Industrial Wind Facilities as Proposed for Pendleton County”

by Arthur Hooton

This analysis is adapted from a research document by John R. Sweet on the inter-relationship of governmental financial incentives and legislative mandates as they apply to the proposed New Highland Wind facility in neighboring Highland County. It can be accessed at his web site (www.johnrsweet.com/personal/wind/).

Jim Cookman, John Crites, George Sponaugle and others would like to bring industrial wind facilities to Pendleton County. They stand to gain by it, but what about the rest of us? Do we gain anything or do we lose? The wind developers tell us we all will gain in the form of new jobs and increased property-tax revenues, and they also tell us it's "good for our country" to increase the supply of clean, renewable energy. What they don't tell us is the hidden cost we will pay.

The Liberty Gap Wind folks requested an interconnection for 112 turbines: 50 in WV and 62 in VA along the crest of Jack Mountain. The 50 turbines in Pendleton County will cost about 100 million dollars to install. The 44 turbines installed in Tucker County were valued at 86 million dollars, slightly under 2 million per turbine. The taller turbines, proposed for Jack Mountain, will run about 2 million dollars per turbine installed.

If you think Pendleton County will reap a bonanza in Class 3 business taxes, you're wrong. The county assessor does not have the authority to appraise industrial assets. That's left for the "experts" in the WV State Tax Department. And guess what? These particular pieces of industrial equipment are considered to be pollution control devices, so valuable to the environment that they get a break by being assessed at scrap value — 5% of actual worth. The idea, of course, was to encourage the addition of pollution control devices to smokestacks, but wind turbines get the same benefit even though it has been demonstrated over and over that no conventional power plants have ever been shut down when wind turbines came on line.

Five percent of 100 million dollars is five million. This state-appraised value is what our assessor is required to accept, and then she must use the value the county applies for tax purposes, taxing 60% of the five million, which lowers it to three million, taxable. At our current tax rate of \$1.40 per \$100 for business personal property, this would generate \$42,000 in tax revenue. The transmission line right-of-way would also generate some money, but it would likely be a wash when the lower property values of the affected properties are factored in.

Now let's look at the other side of the tax revenue equation. There was over three million dollars in class 2 (residential property) new construction in Pendleton County last year (2004). Over the previous three years it has increased by 16.8%. This rise in value is attributable to two factors: 1) to a lesser degree, the rising prices of building supplies and increasing labor costs and 2) to a greater degree, the influx of affluent DC-area residents, who are cashing out of their highly priced residential properties and making the move to beautiful Pendleton County.

With Golf Estates building lots alongside the Highlands Golf Course being sold for \$75,000, don't expect purchasers to be setting up mobile homes on these lots. Make no mistake about it, in a few

more years the value of new construction in Pendleton County will be increasing at an even greater rate. Adding 5 to 10 half-million dollar golf course homes a year to Pendleton County's tax base will easily surpass the tax revenues generated by an industrial wind plant on Jack Mountain, and don't also make the mistake of thinking we can have both — tax revenue from turbines and tax revenue from incremental upscale homebuilding.

Allowing wind turbines to deface Pendleton County's scenic treasure will have a chilling effect on real estate development. Even if you can't see a turbine from your Golf Estates lot for the moment, there's no guarantee that it will stay that way. Prospective buyers will decide to look elsewhere if they think Pendleton County cares so little about its incomparable scenery as to allow and actively seek industrial destruction of it.

On US Rt. 219 north of Thomas, WV, well before the wind turbines come into view, there are "for sale" signs posted in the woods on the left. I called the phone number and feigning interest, found out the asking price. I offered an amount 15% less and after some conversation the offer was accepted. I paused and then asked how far away the lot was from the nearest wind turbine. The answer gave an approximate distance, but it was delivered in a resigned, despairing tone of voice. I expressed some misgivings and then offered 30% less than the asking price, which after some hesitation, was conditionally accepted. This is exactly what will happen to real estate values in Pendleton County if we allow ourselves to be duped by the hucksters of wind turbines.

When it's a choice between \$42,000 of tax revenue from turbines in the year 2026 (assuming they're built in 2006 and last 20 years) or the taxes collected from a very conservatively estimated 3 million dollars per year in new construction (with no inflation factored in) for 20 years resulting in a 60 million dollar addition to the tax base that would yield \$252,000, I'll choose the latter thank you. [60 million x 60% x .007] There is no economic justification for Pendleton County to even fleetingly consider the idea of industrial wind turbines.

You may be wondering why, if industrial wind turbines are so bad for Pendleton County, other counties, such as Grant County, appear to welcome them. My guess is that the Mt. Storm area of Grant County is such a bleak, industrialized landscape to begin with that adding wind turbines is not going to make much difference to its already depressed property values. And let's not forget — wind turbines do make money for the developers even if it's at the public's expense and besides, the developers appear to have considerable clout in Grant County.

Here's how it works to the benefit of the developers, using the Liberty Gap Wind Force project as an example. First we have the property owners, John Crites, George Sponaule, Ray Carr, Jr. and possibly others, who have leased their land to Liberty Gap Wind Force for unspecified amounts, but typically lessees receive \$2,500 to \$4,000 per turbine per year. The 50 turbines would generate yearly income of \$125,000 to \$200,000 for the land owners.

The developer, Liberty Gap Wind Force, which may include some of those same land owners, will build and then sell the 100 million dollar facility to a major utility, maybe to Florida Power and Light for cost and a profit that amounts to a selling price of, let's say, 115 million.

FP&L Energy now owns 50 turbines rated at 1.5 MW, which in a perfect world, would be constantly

turning in 33 mph winds, 24 hours a day, 365 days a year and be generating 75 MW per hour non-stop. In the real world the actual generation of electricity by wind turbines is a small percentage of the theoretical capacity, usually in the 30% or lower range. FP&L Energy might expect to obtain 22.5 MW of electric generation from the Liberty Gap plant. In a year's time that would amount to 197,100,000 kwh [22.5 MW x 1,000 x 24 x 365]. For this generation FP&L Energy would receive a Production Tax Credit of 1.8 ¢ per kwh, which amounts to \$3,547,800. Production Tax Credits are good for 10 years so FP & L Energy would be able to take 35 million dollars off its tax obligations to Uncle Sam while obligating regular taxpayers to make up the difference.

The next thing FP & L Energy does is sell its electricity. It has 115 million dollars invested in a facility that is producing 197 million kwh a year. The Production Tax Credits are only good for 10 years, and that's about the useful life of a wind facility anyway, so FP & L Energy will expense 11.5 million dollars of its facility to produce the 197 million kwh, resulting in a production cost of 5.8 ¢ per kwh. It undoubtedly costs more than that because of maintenance, repairs and transmission costs, however 6 ¢ to 6.8 ¢ per kwh are the numbers most often used in these calculations.

Let's assume that it costs FP & L Energy 6¢ per kwh, but with the taxpayers bankrolling a PTC of 1.8 ¢ it means that they could sell electricity for 4.2 ¢ per kwh and break even. No one's in business to break even. Allegheny Power retails electricity to me for 6.6 ¢ per kwh. They are making a profit. Their production cost is around 3.5 ¢ per kwh. If FP & L Energy tacked on a profit margin of 3.1 ¢ they would be retailing their electricity for 7.3 ¢ per kwh. No one would buy it UNLESS the state of WV required that all utilities selling power in the state of WV include a certain proportion of renewable energy in the supply. West Virginia doesn't yet but Maryland does and Pennsylvania and New Jersey and Delaware and Massachusetts do, too. This has created an artificial demand for renewable energy. Power companies without their own sources of renewable energy must buy some from the likes of FP & L Energy. And then those same power companies must raise their rates to cover the added cost.

This is good for FP & L Energy. Taxpayers take a 35 million dollar tax load off the bottom line and ratepayers watch their electric bills go up to add even more to the balance sheets of the wind power bandits and their accomplices in the state legislatures. What is difficult to understand is how so many well-intentioned people have been suckered into the belief that they are doing something good for themselves and the environment when they support legislation that perpetuates a problem rather than providing a solution. The absurdity of the situation can best be summed up by quoting from the last three paragraphs of John Sweet's report.

“The wind industry would have one believe that the installation of wind turbines will lead to the closure of conventional coal-fired or nuclear power plants. In addition to the need for back-up generation discussed above, it would take prodigious numbers of wind turbines to have any significant effect on the operation of other power plants.

“Let us take as an example the Mount Storm coal-fired plant and the nearby Mountaineer wind plant. Mount Storm is a 1662 MW plant operating at an average CF (capacity factor) of 0.80 for a net output of 1330 MW or 11,650 GWH/year. Mountaineer's 44 turbines total 66MW with a 0.30 CF yielding 173 GWH/year, approximately 1.5% of Mount Storm's output. Thus it would require 67 Mountaineer plants or 2955 turbines to equal Mount Storm.

Since turbines are typically installed at about 8/mile this would require about 370 miles of ridge top to be developed. The capital investment would be roughly \$6.6 billion. [2955 turbines = 4432MW x \$1.5M/MW]

“Wind generation of 11,650 GWH/year would bring the developer \$210M/yr. from the PTC or \$2.1 billion over ten years, directly from the Federal Treasury, our tax dollars at work. Sales of REC (renewable energy certificates) would bring in a similar windfall, directly from electric ratepayers, our utility dollars at work. Despite all of this investment, tax subsidy, and increased electric rates it would still not be possible to shut down the Mount Storm plant as it would be needed for back-up generation when the wind was not blowing in the ideal speed range.”

In closing, John Sweet and I amicably differ on the role of nuclear power. Dominion Power, the parent company of Mount Storm, has applied to the NRC to add 8,000 MW of capacity to its Lake Anna nuclear facility in central Virginia. That is equal to 5 Mount Storms, but more importantly it is equal to 14,775 wind turbines or 1,850 miles of ridge tops. In all of Garrett and Allegany Co., MD, Highland, Bath and Alleghany Co. VA, Somerset and Bedford Co., PA and Grant, Tucker, Mineral, Hampshire, Hardy, Pendleton, Randolph, Pocahontas and Greenbrier Co., WV there are about 980 miles of ridges deemed suitable for industrial wind facilities. Withdraw from consideration state park lands and National Forests and we're left with about 240 miles of privately owned ridge tops available for development. The added capacity at Lake Anna by itself could take the place of all the turbines planned or operational throughout the entire Mid-Atlantic power grid region and probably the Northeast power grid region as well.

There is absolutely no sense in defacing our treasured landscape because slick promoters of subsidy-dependent and ineffectual wind turbines have temporarily managed to package their dinosaurs-in-the-making as a solution to the need for more energy and less pollution.