

Testimony of
Paul Gaynor, Chief Executive Officer, First Wind Holdings LLC.,
before
The Select Committee on Energy Independence and Global Warming
U.S. House of Representatives
on
The Clean Energy Recovery: Creating Jobs,
Building New Industries and Saving Money
March 10, 2010

Chairman Markey, Ranking Member Sensenbrenner, and members of the Committee, thank you for inviting me to testify today on the effectiveness of the clean energy provisions of the American Recovery and Reinvestment Act (Recovery Act) of 2009.

My name is Paul Gaynor and I am the chief executive officer of First Wind.

First Wind is a U.S. owned, independent wind energy company based in Massachusetts that is focused on the development, financing, construction, ownership, and operation of utility-scale wind energy projects in the United States. Today we provide some 478 megawatts (MW) of clean, renewable wind power capacity to U.S. consumers through six operating projects in Hawaii, Utah, New York, and Maine. Another 25.5 MW will be added shortly when construction is completed on another project in Maine.

Today, we employ over 200 engineers, project managers, meteorologists, construction workers, project developers, financiers, accountants, land specialists, permitting specialists, and others across the country. These are new jobs for this new industry. We've grown significantly, as I was just employee number six when I took the CEO job nearly six years ago. We also rely very heavily on local experts – biologists, transmission experts, land specialists, lawyers, wetland scientists, and others – during the development,



engineering, and construction phases of our projects. Through these consultants, contractors, suppliers, and others we do business with, First Wind's projects support a significant amount of employment and economic activity, which I will cover in more detail shortly.

I have been asked to address the impact of the clean energy provisions of the Recovery Act. In short, the Recovery Act, and especially the Section 1603 convertible tax credits, has been profoundly important to our ability as a company to put steel in the ground, deliver renewable energy, and put people to work during 2009 and 2010. From discussions with other wind developers and the American Wind Energy Association (AWEA), many others in the wind industry feel similarly.

With the collapse of credit markets in 2008, sources of capital dried up practically overnight. First Wind had a firm binding commitment from Lehman Brothers to be the tax investor for our 125 MW Cohocton projects in New York State, which at the time was under construction. When the firm went bankrupt we lost our source of permanent capital and had a \$140 million hole in our funding plan. That was the beginning of the financial crisis for us – a direct hit on our business. From the fall of 2008 until spring of 2009, all sources of capital were frozen. Projections from AWEA and the financial sector suggested that the 2009 tax equity market – which, as the means to monetize Section 45 Production Tax Credits, has historically been an essential source of funding for wind development – would have only a fraction of the capacity necessary to finance the wind projects companies like ours were planning to build. It was anticipated that the supply of tax equity deals in 2009 would only equal about 4,000 MW of new construction. In



fact, AWEA was concerned that in 2009 wind power development might drop by as much as 50 percent from 2008 levels. Many projects simply were not going to get financed and therefore not going to get built. This means people were going to lose jobs and the nation was going to lose momentum toward the goal of increased energy independence.

Fortunately, Congress and the Obama administration recognized the threat that this extraordinary economic turmoil posed to our industry and responded with urgency and effectiveness. Thanks in large part to the clean energy provisions in the Recovery Act, the U.S. wind industry broke all previous records by installing nearly 10,000 MW during 2009, according to AWEA. The Recovery Act provided the help we needed, when we needed it.

In particular, in order to immediately gain the employment, economic, energy, and environmental benefits of building renewable power facilities, the Section 1603 convertible tax credit program was designed to provide a means of filling the gap in the tax equity market quickly and in a way that did not rely on the decimated financial sector. With the help of this program, First Wind has responded by getting projects financed and built, putting people to work, and generating clean, renewable wind power.

During 2009, First Wind completed construction of wind facilities in Maine, New York, and Utah, and began construction on another in Maine that will be finished this month. All of these facilities employ turbines manufactured by U.S. companies GE and Clipper Windpower. In partnership with our general contractors – RMT of Madison, Wisconsin, Mortenson Construction of Minneapolis, Minnesota, and Reed & Reed of Woolwich, Maine – we created



over 1000 jobs during construction of these facilities. In light of the credit market breakdown, without the convertible tax credit program available in 2009 we would have fallen short of installing the over 400 MW of new wind capacity that these projects represent.

First Wind was pleased to have been one of the first companies to benefit from the Section 1603 program, when we received over \$74 million in connection to two projects in Cohocton, New York, and more than \$40 million for our Stetson Wind project in Maine. These funds allow us to build other projects that could have otherwise been significantly delayed. There is no better evidence of this than the fact that the 1603 funds allowed us to invest in a 17 turbine expansion of the Stetson facility, which will be completed shortly. As I said at the groundbreaking, the project and the jobs it is creating would not be happening without the Recovery Act tax credits.

And what is the extent of the economic benefits? Using the Stetson project and the ongoing expansion as an example, the combined facility will represent a \$190 million investment, with over 130 Maine businesses providing goods and services during the development and construction phases, and approximately 350 construction jobs on the first phase and 200 jobs on the expansion. The center of the economic benefits is Washington County, Maine, where the projects are located, which received a tax payment of \$458,000 in 2009 in connection to the first phase of the project under the terms of a 20 year agreement.

Our 204 MW Utah project, which was completed last fall and for which a Section 1603 tax credit application is pending, has also provided extensive

economic benefits to a rural part of the country, as described in the attached pamphlet. Further, because of the Recovery Act, we've been aggressive in forging ahead with our business plan for 2010 and beyond, investing in project development, knowing that the Recovery Act will continue to play an important role in helping us fund these projects. Specifically, in 2010 we plan to construct a second phase of the Utah project, plus additional projects in New York, Hawaii, Vermont, and Maine, which would represent an addition of 294 MW of wind power capacity.

Numbers tell only part of the story, however, as the positive impact is expressed best by the words of the people working for our contractors that are in the field building these projects. A construction laborer named Ross who has worked on our Maine projects told us, "Wind energy has helped me by keeping me working when there are no other jobs to speak of." His coworker Ben said, "I feel my job is secure and my wages are fine, and I'm no longer broke. Thank God for windmills – they have changed my life for the better. I look forward to building hundreds more." A manager with an earthwork subcontractor described the benefits to his company: "Without wind power, we would be a significantly smaller company. Over the past four years, it's provided about 25 percent of our volume."

Part of the success of the Section 1603 program is due the speedy execution of reviewing, approving, and allocating the funding by the administration and federal agencies. The award announcement and funding came well in advance of the mandated 60 days, which sent strong signals to us that the administration is committed to renewable energy and the success of this program. Financial institutions have taken notice, too. Even in this dire credit



environment, we have successfully raised over \$1 billion in private investment since January 2009. Our ability to do so was greatly enhanced by the Recovery Act clean energy provisions. The development of wind power is extremely capital intensive, and thus the opportunity to use Recovery Act funding to leverage significant private investment has been extraordinarily effective and important.

The investment via the Recovery Act is sending a clear signal that the federal government is committed to growth within the U.S. renewable energy sector. We hope Congress will make it a priority to extend the convertible tax credits this year. Such action, along with a Renewable Electricity Standard (RES), would promote continued growth in wind and other renewables in this country.

I am grateful for the leadership of Chairman Markey and others on this select committee on the Recovery Act, renewable power issues generally, and of course, the Waxman-Markey bill. Many of us in the wind industry are in town this week encouraging the Senate to take up energy and climate legislation soon, with hopes that Congress can help foster a more stable and predictable investment and regulatory climate for renewable power prior to adjournment. Access to capital has improved, but it remains far short of pre-collapse conditions. On behalf of First Wind and others in the U.S. wind industry, we look forward to working with you to build on the success of the Recovery Act to develop long-term policies to promote renewable power development and manufacturing.



I greatly appreciate the opportunity to take part in this hearing, and I look forward to answering your questions. Thank you.