



1 May 2007

Mr. Philip Powlick  
State Energy Program Manager  
Utah Geological Survey  
1594 West North Temple, Suite 3110  
P.O. Box 146100  
Salt Lake City, UT 84114-6100

Dear Mr. Powlick:

Thank you for seeking stakeholder input on rulemaking for Utah's new Renewable Energy Tax Credit as reauthorized and expanded in the 2007 legislature.

I am including comments from members of the Interwest Energy Alliance regarding these issues and hope they are helpful as you move through the rulemaking process on this important tax credit. All of these comments deal with wind energy systems.

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**Utility-Scale Wind Energy:**

- The tax credits should follow federal rules for §45 credits.
- Meter reads and invoices should work as done for §45.
- This is a tax credit based on sales, but not on sales from just long term sources as you state that we have sales on a merchant basis (or just electricity that ends up on the grid that we will get paid for also, which I guess is on a merchant basis).
- The meter reads and/or invoices would not include the electricity used on-site.
- Placed in commercial service is a "less than desirable" definition to use as that is based on contractual terms between two parties and could vary significantly. It should stick to conformity with the federal §45 credit provisions. Actually, the "later" placed in commercial service definition would provide more credits overall especially with a short, four year term as we generally do not generate maximum power during the period between IRS placed in service and commercial placed in service.
- [Production tax credits] are very difficult and expensive to use, and if not structured properly, create a federal taxable event for the project, e.g., 35% of the benefit gets shipped to DC (certainly not what the legislature has in mind).

- There are some sophisticated ways to defer (not eliminate) these federal tax impacts, but they create some huge headaches with regard to imbalances in capital accounts. One could argue that the “pay me later” option creates some benefits in the early years of the project, but it’s an inefficient way to accomplish a rather straight-forward objective.
- Under federal law, the ownership of the project -- and hence the % of PTC benefits -- has to be identical for the state and federal investors. If the project has only one owner (such as the local utility) this isn’t an issue. But if the project has a different set of owners for the state and federal tax benefits (likely), it creates a very complex and costly deal structure.
- Will the state PTC benefits be netted against any other state or local tax benefits, such as reduction in property taxes, sales taxes, etc.?

**Small Wind Energy Systems (below 660kW capacity)**

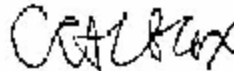
- Recommendation: Raise or remove the \$2,000 cap on Residential Systems
- A. How should reasonable costs be defined? Should they?  
Should include the costs of qualified equipment as defined elsewhere (which tax codes or other sources can we point to?)
- B. How should eligible components be defined?  
See “A.”
- D. Should applicants have to demonstrate reasonable wind resource? If so, how, and what should be the standard?  
No, this is self-regulating.
- F. Should certain safety equipment be required, such as an isolating breaker, lightning rod, or others?  
There are already several redundancies in place to protect utility linemen and that safety measures above and beyond what is used in standard practice are not necessary.
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Thanks again for considering these comments. Please let me know if you need any elucidation on anything included in these comments.

Best regards.

Sincerely,

A handwritten signature in black ink, appearing to read "Craig Cox". The signature is written in a cursive, somewhat stylized font.

Craig Cox  
Executive Director