October 27, 2011

The Honorable Mark R. Warner  
United States Senate  
475 Russell Senate Office Building  
Washington, DC 20510

Dear Senator Warner:

The Virginia Offshore Wind Development Authority (VOWDA) is a quasi-state agency established under the laws of the Commonwealth of Virginia for the purpose of promoting offshore wind development. The members of the VOWDA Board urge you to consider co-sponsoring S. 1397, the “Incentivizing Offshore Wind Power Act”, subject to S. 1397 being amended to address the needs of the Commonwealth as VOWDA has set forth herein. S. 1397 was originally introduced and co-sponsored by Senators Carper and Snowe and has strong bipartisan support in the Senate.

The VOWDA Board has been working for nearly a year to establish public-private partnerships to encourage offshore wind development off the coast of Virginia. We have developed an action plan and a series of recommendations that have been submitted to the Governor and General Assembly to promote offshore wind. We are working closely with businesses, universities and other organizations that will benefit from bringing this renewable resource to Virginia, and we are working with utilities to reduce the cost of offshore wind. These steps are intended to encourage investors to use Virginia’s tremendous supply base of companies, ports, and other facilities to develop an offshore wind industry that will bring jobs to the Commonwealth, provide environmental benefits, and reduce the state’s exposure to fuel price fluctuation in our cost of power.

The VOWDA Board supports the establishment of a national test center for offshore wind turbines in Virginia, and we are working to facilitate a successful “Call for Nominations” from the Department of the Interior (DoI) as part of the process to issue federal leases in the “Wind Energy Area” identified off Virginia’s coast. The Virginia Call for Nominations is a first step in establishing the offshore wind projects that will drive the creation of a Virginia based supply chain. A local supply chain is instrumental in reducing the cost of offshore wind due to the reduction in transportation costs, shortened fabrication, assembly, and construction times, and the availability of local vessels to support ongoing operation and maintenance.
The VOWDA Board believes federal financial support in the form of tax incentives is necessary to facilitate the installation of sufficient offshore wind capacity to provide the catalyst for the creation of a U.S. based supply chain. Offshore wind energy projects require significant investment over many years in order to complete the required design, permitting, and construction activities; and any associated incentives must provide consistency and certainty during the investment period. The federal renewable energy production tax credit (PTC) – the primary financial policy for the wind industry – currently provides an income tax credit of 2.2 cents/kilowatt-hour for the production of electricity from utility-scale wind turbines. This incentive was created under the Energy Policy Act of 1992 and is set to expire on December 31, 2012. Additionally, through Section 1603 of the American Recovery and Reinvestment Act of 2009, wind project developers can choose to receive a 30 percent investment tax credit (ITC) in place of the PTC; or alternatively, developers can elect to receive an equivalent cash payment from the Department of Treasury for the value of the 30 percent ITC for projects placed in service before 2013, at which construction begins before the end of 2011.

The proposed legislation S. 1397 provides a 30 percent investment tax credit (ITC) for the first 3,000 megawatts of offshore wind facilities placed into service in U.S. navigable waters, including state waters and the 200-mile exclusive economic zone. The VOWDA Board seeks your support of S. 1397 provided the legislation is modified so Virginia will benefit from its implementation. Specifically, the VOWDA Board recommends supporting S. 1397 provided it is modified such that either:

1. The amount of the ITC awarded is not limited in terms of the funds available for qualifying projects that enter into construction prior to December 2022; or

2. Regardless of any cap or limit to the total ITC awarded, at least 1,000 MW of ITC is allocated and made available to the first 1,000 MW of offshore wind projects constructed in each of the “Wind Energy Areas” identified by the DoI provided such projects enter into construction prior to December 2022.

We appreciate your support for new businesses and renewable resources in Virginia and encourage you to co-sponsor S. 1397, as modified by VOWDA’s recommendations, and work with other co-sponsors for its final passage this Congress.

Sincerely,

[Signature]

Arthur W. Moye
Chairman

c: Cathie J. France, Department of Mines, Minerals and Energy