

UNITED STATES SENATE  
COMMITTEE ON INDIAN AFFAIRS

OVERSIGHT HEARING  
ON INDIAN ENERGY PROMOTION AND PARITY ACT OF 2010

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TESTIMONY OF

CLIPPER WINDPOWER

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Strategic Asset Development

## **Introduction**

Clipper Windpower and I would like to share with you, Senator Dorgan, and the entire Committee, our appreciation and our support for this Committee's commitment to explore new ways to meet the challenges of Tribal clean energy and infrastructure development.

The discussion draft of the Indian Energy Promotion and Parity Act is an encouraging step forward in addressing the challenges and opportunities to, finally, create a sensible development environment of the vast amounts of world class renewable energy that is located in Indian Country. We are encouraged by this Committee's recognition that unlocking the renewable energy potential on tribal lands is a key to meeting this Country's goals of energy independence and reducing carbon emissions.

Today we are pleased to share with the Committee our perspective as a U.S. wind development and turbine manufacturing company that has partnered with and are in mature stage discussions with numerous Indian Tribes. We are excited at the opportunities that lie ahead, but will share with you today the particular vantage point that we have regarding some of the complex obstacles facing the future of Indian Country and prospects for any significant clean energy development into the future.

### **Clipper Windpower**

Clipper Windpower Development Company, Inc. manages over 8500 MW of wind resource development assets, and provides a full range of wind energy project development capabilities focused on the sale of these projects and the deployment of Clipper wind turbines.

Clipper Windpower has its origins as a start-up company in 2000 which received critical Department of Energy funding in its early years to develop what is now one of the premier utility-scale turbines in the United States. We employ over 700 people today and are proud that this initial federal incentive allowed Clipper to realize its potential as a US company and to now advance our wind turbine technology in the world market.

We share this particular company background today to illustrate the power of well-placed Federal investments and incentives in clean energy. We contend that similar combinations of incentives and Federal leadership can make a significant difference for Indian Tribes seeking a more balanced and competitive position with non-tribal projects, in the form of Federal streamlining initiatives as well as appropriate incentives for renewable and infrastructure investments in Indian Country.

## **The Challenge of Developing Tribal Resources: Why Is There Now Only One Commercial Wind Project on Tribal Lands?**

We, no doubt like many in this room, prior to entering into negotiations with several Indian Tribes on commercial wind projects, asked ourselves initially why there is now only one commercial wind project in Indian Country? What are the reasons for this lack of progress when, clearly, there is plentiful world class wind resource in Indian Country?

Although Clipper Windpower has made and is making commitments with tribes, we remain concerned about key development challenges – which I will note - are often further hampered by the larger market and infrastructure challenges we as industry face on a broader level. That being said, the fundamental obstacles have been and largely remain:

1. **Project Development Costs.** Reservation sites are often further from grid and markets, placing an upfront cost burden on the project in areas and often in incumbent utility markets that have low-cost federal hydro and/or coal-fired power supply. Keeping this in mind, the added risk of regulatory uncertainty, creates an inverse need for higher rates of return to compensate for probable regulatory delays.
2. **Regional Siting Competition.** Frankly, many Tribes are competing with surrounding private property, as well as state and federal lands, all of which have clarified and streamlined and eased leasing and permitting processes. As a developer and partner, it is far from clear what the processes are to lease and permit tribal trust and allotted lands. There is a lack of established protocols or even a pro forma renewable and transmission leasing and permitting process for tribal lands, making it more attractive to invest precious capital on lands and jurisdictions which can provide both a clear path and level of regulatory certainty so we as developers can stick to development schedules.
3. **Transmission Access and Infrastructure.** A critical component that is substantively missing in this discussion draft bill is any incentives or initiatives related to transmission. We cannot realistically talk about generation development without discussing transmission development.
4. **Unworkable Financial Incentives for Tribes as Project Participants.** We have seen in negotiations that Tribes have a strong interest in ownership participation in wind projects but realize that the opportunity to do so is constrained by their inability to utilize tax-based incentives for wind. For instance, we have had prolonged discussions with Tribes in the Dakotas as we have struggled together to identify ways in which the Tribe could access equity or other capital, or structure partnerships, to participate more actively in the development and ownership of the projects. In the meanwhile, investments and project development moves forward around them.

Certainly there are other hurdles to be overcome, but I will leave it to other witnesses today to cover some of those. So let us circle back again to the initial question and maybe we simply conclude that the fact that there is only one commercial wind project in operation, speaks for itself. Clearly something needs to be done to confront the embedded challenges of developing on tribal land if there is going to be any progress towards accessing the vast wind resources that exist there.

Speaking from our experience, and although Clipper has made development commitments in Indian Country, none of our prospective tribal projects have yet reached the full leasing and permitting stage. In making those commitments, we are looking to advance these projects but are already faced with lack of clarity in the leasing and permitting process, constrained transmission access and lack of certainty on how tribal ownership may be structured –all of which is, frankly, slowing us down. In the project development business, time is money, and those projects which have built-in delays will be far less competitive. In reviewing the projects in our development portfolio, those on tribal lands must be weighed against others as we assess risk and budget constraints.

## **The Need for Tribal Renewable Energy and Transmission Incentives**

Specific Tribal Incentives Needed to Overcome Challenges of Developing Projects on Reservations. We need tailored and specific incentives because it is a fact that tribal reservation lands are unique and pose unique challenges and opportunities. As a member of the wind industry, we recognize that tribal projects are disadvantaged coming out of the starting gate so that special consideration and support is needed to make them viable. Unlocking tribal wind resources will provide the US a substantial source of renewable energy which will not only reinforce our energy security but will also help to keep that energy competitively priced for consumers. And the benefits to tribes are significant: sustainable and diversified tribal economies, infrastructure development and professional training for tribal members.

Tailored Financial Incentives. And this proposed legislation, as it is currently contemplated, would encourage private and tribal ownership of projects with very limited impact on tax payers. It includes some of the most significant elements to achieving financible projects on tribal lands: loan guarantees, assignability of tax credits, grants-in-lieu-of-tax-credits, extension of the tribal accelerated depreciation and employment tax credit provisions. Targeted financial incentives, like these that are proposed, will help make tribal based projects competitive with non-tribal projects and allow them to be financed, and importantly would only be granted to successful projects.

Transmission Planning and Incentives. As you are probably well aware transmission is critically needed to support the expansion of US wind energy. As currently contemplated, the proposal for a large-scale transmission study in Indian Country is a positive step forward. But this is one of the biggest conundrums facing tribal renewable development: transmission – access to it and expansions of it in Indian Country. From a tribal perspective, although a sizeable federal hydropower and transmission footprint

runs through Indian Country, ironically, tribal renewable projects experience great difficulty in securing access to the transmission infrastructure on their lands. Clipper Windpower is deeply involved in transmission issues across the US and has particular experience with transmission development from the Upper Midwest to Eastern load centers. We have observed the opportunity for tribes in the Dakotas to interconnect with the Western Area Power Administration, but are also keenly aware to the need to deliver beyond WAPA's system to urban load. Like most non-tribal wind development across the country, expansion of transmission is a key element of tribal wind development.

The opportunity for renewable energy based transmission expansion is that it can benefit tribal and non-tribal projects alike. Transmission is a collaborative process requiring multiple stakeholders to complete. Utilities, private developers, state regulators, the Federal Government - and in some cases tribes - must all jump into the ring and push for transmission expansion. In the case of tribal projects, more Federal leadership will be required to overcome the inherent challenges transmission projects, including encouragement of public-private partnerships or tailored financial incentives for siting transmission on tribal lands or providing for a more streamlined interconnection process for tribal projects.

Secondary benefits of these efforts to expand renewable energy transmission/collection systems would be creating a sustainable infrastructure as well as bringing electricity to areas of reservations presently not connected with the grid. The Tribes, the states, the regions and the country will benefit from a more secure and robust transmission infrastructure.

### **Setting the Stage for Tribal Renewable Energy Success: The Importance of a National Renewable Energy Standard ("RES") and Consistent Energy Policy**

Again, it is critical to place this historic tribal opportunity in context of the power markets in which they will operate and the viability of those markets. It is a fact, with a few exceptions, that renewable projects are currently being built at rates that track requirements of state renewable energy standards, the current underlying driver for *all* renewable energy development in US. This piecemeal state-by-state approach so far has resulted in barely 2% of national electricity demand being met by wind energy –for renewable energy to make any sort of meaningful dent in the US energy portfolio, a Federal Renewable Energy Standard, or "RES" will be needed.

All other incentives less effective if not in concert with a national RES –above all, we must have a market to buy renewable energy. Consistent and long-term energy policy will not just help tribal projects, it will create a stable foundation for the renewable energy industry as a whole. We have already experienced the development lags when disrupted tax credit extensions have made it more difficult to attract investment for longer lead-time projects, especially hurting tribal projects.

As energy legislation moves this month and next, these tribal provisions, which are wholly congruent, are important piece of the puzzle and needs to be included in

whatever legislation that moves forward. Clarifying and streamlining tribal-federal processes as well as leveling the playing field for Tribes are critical tools to be used in concert to help tribal projects play catch up. However, after these tribal-specific incentives and provisions are put into place, what would tip the scale would be the creation of stable marketplaces through a national RES.

An interesting twist of fate has placed reservation lands in some of the sunniest and windiest areas in the nation. In addition, critical transmission corridor siting has often occurred on tribal lands. These two factors now present unparalleled opportunities to Tribes and their partners to finally develop world class wind and solar resources not just for the benefit of tribal communities but for the country.

We thank the Committee for asking us to share our perspective with you today and look forward to the final Indian Energy Promotion and Parity Act.

### **Peter Stricker, Vice President – Strategic Asset Development**

Peter Stricker has been with Clipper since its beginning and initially joined Clipper as Director of Project Engineering in August 2000. After serving within a number of senior positions at Clipper, including leading project development, in September 2008, he was named Vice President, Strategic Asset Development. An engineer by training, Mr. Stricker came to Clipper from Enron Wind Corp. where he served as Manager of Service Engineering. At Enron, he and his team of engineers and data analysts provided comprehensive technical support and warranty failure analysis for a fleet of 763 wind turbines installed worldwide. In early 2001, Mr. Stricker led the development of CWD's project portfolio to upwards of 6,500 MW distributed across the US and in Latin America, and directed commercial engagement and delivery of transactions involving over 2500 MW of project assets.

In addition to cultivating a team skilled in the acquisition and development of finance-ready project assets, Mr. Stricker formalized origination and transaction functions to support full market entry and transactional capability within CWD. Mr. Stricker earned his Bachelors and Masters in Mechanical Engineering degrees from the University of Washington in Seattle, where he specialized in control system engineering.