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October 21, 2013

The Honorable Max Baucus
Chairman
Senate Committee on Finance
SD-219 Dirksen Senate Office Bldg.
Washington, DC 20510

The Honorable Dave Camp
Chairman
House Committee on Ways & Means
1102 Longworth House Office Bldg.
Washington, DC 20515

The Honorable Orrin Hatch
Ranking Member
Senate Committee on Finance
SD-219 Dirksen Senate Office Bldg.
Washington, DC 20510

The Honorable Sander Levin
Ranking Member
House Committee on Ways & Means
1106 Longworth House Office Bldg.
Washington, DC 20515

Dear Chairmen Baucus and Camp and Ranking Members Hatch and Levin:

In June, 2013, Western Governors released a *10-Year Energy Vision* comprised of six energy goals on which our governors agree: achieving energy security; generating clean, affordable and reliable energy from a diversified portfolio of energy sources; increasing energy efficiency; maintaining sufficient and reliable infrastructure; protecting the environment and wildlife, and making the West the leader in energy education and innovation. To attain these goals, it is essential that federal energy policies provide the necessary certainty to the energy industry and its investors.

We are therefore writing to urge you to modify the Section 48 Renewable Energy Investment Tax Credit (ITC) from a "placed in service" standard of eligibility to a "commence construction" standard. The Section 48 ITC benefits a variety of technologies and industries that are important to our state economies, including solar energy, fuel cells, microturbines, combined heat and power, small wind and thermal energy. Changing the ITC to a commence construction standard would allow these industries to make full and effective use of the 30 percent investment tax credit for the duration of its existing authorization (which currently expires on December 31, 2016), and will allow them to attract further investment - driving industry and job growth in our states.

Currently, in order for a renewable energy project to qualify for the ITC, it must be placed in service by December 31, 2016. While this may seem like ample time, many large-scale projects - such as utility-scale Concentrating Solar Power (CSP) plants - take 5 to 6 years to develop, permit, finance, construct and place in service. Large commercial photovoltaic (PV) projects also take several years to come online, depending on their size. And these projects often undergo timely, yet appropriate, scrutiny by state utility regulators as part of resource planning processes. This critical oversight and coordination improves the final investment decision making, yet it can conflict with the ITC timetable. Similarly, residential solar projects that are financed using the third-party ownership model will face investment planning deadlines by mid-2015. The risk that any of any of these projects could face an unanticipated and unforeseeable delay in permitting or construction - and possibly become ineligible for the important 30 percent ITC - creates a high degree of uncertainty for both project sponsors and investors. At the same time, under a commence construction standard, the credit could still not be claimed until the project is placed in service – providing important protection of taxpayer dollars. Furthermore, a project would be eligible for the ITC only if the strict IRS rules for "commence construction" are met.

Over the past eight years the ITC has been tremendously successful in growing clean energy industries in our states and across the United States, creating American jobs, expanding solar and other Section 48 technologies across the country, and driving down prices for American consumers. With a compound annual growth rate of 77 percent since 2006, the solar industry alone is supporting more than 119,000 American jobs in all 50 states, and contributed $11.5 billion to the U.S. economy in 2012. The ITC has been particularly effective in catalyzing economic growth in Western states. Our states have now achieved more than 5,700 megawatts of solar power capacity, supplying enough electricity to power more than one million homes and representing more than 65% of all the solar built in the United States to date. In 2012 alone, the solar industry employed 71,000 people at nearly 3,000 companies in our states.

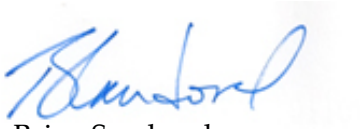
By changing the Section 48 ITC to a commence construction standard Congress can support continued domestic energy production and job creation in the West - strengthening our national and economic security and creating a diversified, reliable, and affordable supply of energy.

The ITC originally became law with strong bipartisan support. Modifying the eligibility for the ITC to a commence construction standard will provide the certainty that is needed to fully and effectively utilize the existing tax credit, and continue the investment and growth in American clean energy industries. Last year the WGA supported the commence construction eligibility for the Renewable Energy Production Tax Credit, and now Western Governors strongly urge you to apply the same policy to renewable energy technologies that qualify for the ITC.

We thank you for your consideration of this request.

Sincerely,

John Hickenlooper
Governor, State of Colorado
WGA Chairman



Brian Sandoval
Governor, State of Nevada
WGA Vice Chairman