

**Testimony of
Joseph Cahill
Chief Financial Officer
Gamesa U.S.**
on
Funding for Alternative Energy & Fuels
before the
Senate Committee on Energy Policy
Harrisburg, PA
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Chairman White, Chairman Musto and members of the Committee: on behalf of Gamesa U.S., headquartered in the Commonwealth, I appreciate the opportunity to appear before you today to discuss some key policy recommendations that will help to ensure the growth of Pennsylvania's thriving alternative energy marketplace.

Let me begin by commending both the state's Administration and Legislature for your bipartisan work on this issue. Your joint efforts over the last few years have helped to make Pennsylvania a recognized manufacturing leader in alternative energy development and deployment.

My name is Joe Cahill, Chief Financial Officer of Gamesa's U.S. Gamesa is a company headquartered in Spain that is publicly traded on the Spanish stock market. With 5,240 employees in 17 countries, Gamesa is the most vertically integrated wind energy company in the world. Gamesa manufactures all of the components for wind turbines in house and separately develops wind farms.

As many of you know, Gamesa selected Pennsylvania for its U.S. headquarters in September 2004. Since then, we have invested \$110 million in the Commonwealth, and created more than 1,000 jobs statewide at our manufacturing plants in Cambria and Bucks Counties and our development division and corporate headquarters in center city Philadelphia. We also have development offices in Minneapolis, Minn., and Austin, Texas.

In the U.S., we have more than 1,000 equivalent megawatts ("mw") under development and close to 1,000 mw in turbines planned to be delivered by the end of this year throughout the U.S. Our focus in Pennsylvania has helped the state become one of the leading producers of wind energy east of the Mississippi River. As Pennsylvanians, we can all be proud of these accomplishments. The Commonwealth's aggressive Alternative Energy Portfolio Standard (AEPS) has helped to fuel the growth of renewable energy while Pennsylvania-based utilities have agreed to purchase over 1000 MWs of wind power from Gamesa-manufactured turbines.

Gamesa's decision to locate in Pennsylvania was driven by the energy vision articulated by the State Administration and Legislative leaders combined with Pennsylvania's highly skilled work force, existing manufacturing capacity, and the state's strategic location amid the growing alternative energy markets in the Northeast.

Through the PJM Interconnect, Pennsylvania is surrounded by other states, such as New Jersey and Maryland, with large energy consumer populations, limited wind resources and state-passed portfolio standards. New Jersey requires 25 percent clean electricity by 2021; Maryland is 12 percent by 2022. Strategically, given the relative lack of available land of our neighbors, Pennsylvania-based wind farms will help to meet the renewable energy targets of these other states as well.

It is true that Pennsylvania, as part of its standard economic development portfolio to attract outside investment, offered Gamesa \$22 million in various financial commitments. Gamesa to date has utilized about one third of the funds committed by the state and has been able to meet and exceed the initial job expectations and growth estimates. We promised 1,250 jobs in five years starting in 2005, and we have almost surpassed that promise in barely two operating years. Right now, we are continuing to hire more workers in Pennsylvania.

Gamesa's story fits well into current discussions as the Administration and General Assembly work together to expand on and develop further the nation's most successful statewide renewable energy strategy. Let me offer some perspectives on behalf of Gamesa:

First, the legislature should work to help Pennsylvania businesses retool to meet the supply needs of the alternative energy companies already doing business here, and actively encourage existing suppliers to set up shop in the Commonwealth. Enabling facility upgrades, capital investment and training workers to manage these new technologies from supply to construction would establish Pennsylvania as the hub for the development and maintenance of alternative energy systems --- and vastly expand this growing economic sector and the number of jobs that go with it. Due to the size and scale of Gamesa's manufactured wind turbines, attracting suppliers as close as possible to our facilities is a key priority.

Second, the legislature should consider expanding the language in Senate Bill 1 dealing with incentives to provide direct payments to municipalities that accept the benefits of clean energy. Right now, Gamesa and other wind energy developers make payments in lieu of taxes to municipalities where turbines are located. The state should match that amount on a dollar-for-dollar basis as a grant to the municipality. This increases the incentive to host wind farms and directs state tax dollars directly into local communities for the benefit of residents who get to make their own decisions but with all the possible assistance necessary.

Third, Pennsylvania should seek ways to partner with other states to ensure seamless transport of wind turbine components throughout the U.S. The Gamesa Pennsylvania manufacturing plants build blades, towers and nacelles shipping them to Pennsylvania projects and to projects in other states in the U.S. Consistent permitting structures from state to state would ease the flow of goods gfout of our Pennsylvania manufacturing locations.

Gamesa's success is evidence of how effective the policies passed and enacted by the State's Administration and General Assembly are. The sizeable potential for job creation held by clean

energy component manufacturing and maintenance businesses continues to grow, particularly with respect to wind energy development, which quickly is becoming Pennsylvania's most dynamic new economic sector. As demand for electricity is increasing at 3 percent per year, wind energy is becoming an important supplement to the overall makeup of the nation's electricity supply. Currently, only 1 percent of the nation's energy supply (enough to power nearly 2 million U.S. homes) is derived from wind. The U.S. Department of Energy is calling for 20 percent penetration of wind energy onto the U.S. electricity grid over the next two decades. The United States has more than 400 times the wind potential than it is currently capturing. Clearly, Pennsylvania is taking the lead in creating energy independence for the rest of the United States.

Demand for wind turbines still outstrips existing supply worldwide. U.S. Projects that did not get built in previous years due to regional supply shortages are now moving forward --- thanks in part to the Gamesa U.S. local production facilities in Pennsylvania. Today, the turbines and components that Gamesa's workers build at the company's two Pennsylvania-based manufacturing facilities at Ebensburg and Fairless Hills are being shipped across the country.

Let me close by once again commending the Commonwealth's Legislature and Administration for your bipartisan support in growing Pennsylvania's alternative energy marketplace and your commitment to ensure that it continues to thrive.

Chairman White, Chairman Musto and members of the Committee: I thank you for your time and attention, and am happy to answer any questions you have at this time.

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