

Cost of \$10 Billion Stimulus Easier to Tally Than New Jobs

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DOMINIC BRACCO II / PRIME for The Wall Street Journal

County Commissioner Rosaura Tijerina supported tax breaks for the Cedro Hill wind farm, but it brought few new jobs.

Alfredo Garcia was among the residents of Webb County, Texas, banking on a windfall from federal stimulus money.

Mr. Garcia expanded his Mexican restaurant from 80 to 120 seats, anticipating a rush of new patrons springing from the nearby Cedro Hill wind farm, a project built with the help of \$108 million from U.S. taxpayers.

When construction ended, Cedro Hill had just three employees and Mr. Garcia's restaurant, Aimee's, filed for bankruptcy protection. "Nobody came," said Mr. Garcia, a county judge who closed Aimee's last year, putting 18 people out of work.

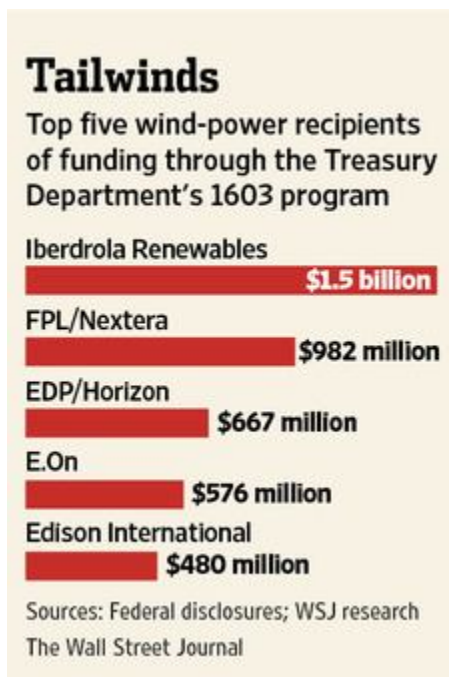
Companies have received more than \$10 billion to create jobs and renewable energy by building wind farms, solar projects and other alternatives to oil and natural gas under section 1603 of the American Recovery and Reinvestment Act of 2009. The program expired in December, and President Barack Obama proposed last week that Congress revive it in the 2013 budget.



WSJ's Ianthe Dugan has details of efforts by The White House to extend a \$10 billion stimulus package that targeted solar, wind and geothermal companies. DOMINIC BRACCO II / PRIME for The Wall Street Journal

On federal applications, companies said they created more than 100,000 direct jobs at 1603-funded projects. But a Wall Street Journal investigation found evidence of far fewer. Some plants laid off workers. Others closed.

The discrepancies highlight broader challenges calculating the economic benefits of stimulus spending. Jobs have been an important measure influencing distribution of more than \$800 billion in stimulus money, which also has included tax breaks and spending on roads, sewers, schools, health and public assistance. Yet the number of jobs created or saved is largely based on formulas, mathematical models and reports by recipients, rather than actual tallies.



The President's Council of Economic Advisers said overall stimulus spending created between 2.2 million and 4.2 million jobs as of the second quarter of 2011. Some jobs, such as construction work, were temporary. But without the spending, they said, the economy would be worse off.

The 1603 program was an important part of the government's push to encourage investment in alternative energy. Many Democrats have supported such government funding, while some Republican counterparts say the market should pick winners.

The role of government is likely to be widely debated during this year's presidential campaign.

White House spokesman Clark Stevens said the 1603 program "has played a central role in the dramatic expansion of renewable energy generation in the United States, with energy generated from wind and solar set to double in the president's first term."

The goal, he added, is "to spur investment in projects that will continue to diversify our energy portfolio, and that is exactly what it is doing."

Jen Stutsman, a spokeswoman for the Department of Energy, which administers the 1603 program with the Treasury Department, said it created "tens of thousands" of jobs in construction, installation and operation.

Jobs figures reported by grant recipients were full of errors, the Congressional Research Service said in a report last year: "Thus it is recommended that any job creation estimate be viewed with skepticism."



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Alfredo Garcia, of Webb County, Texas, hoped a nearby wind turbine project would boost business at his Mexican restaurant, which later filed for bankruptcy protection.

The report also addressed a broader issue. "The potential for job creation has become a key factor in evaluating renewable energy investment incentives and programs," it wrote. Yet "quantifying and measuring green job creation and growth has been difficult."

Some communities expecting a flood of new hires from 1603 grant spending have so far found little to celebrate.

Raser Technologies Inc., for example, filed for bankruptcy protection last April, after receiving a \$33 million grant for a geothermal plant in Beaver County, Utah.

Lecia Langston, a Utah state economist, said the plant now has fewer than 10 employees. Regulatory filings show that in the year after receiving its 1603 grant, the total number of company employees fell from 42 to 27.

When it went bankrupt, Raser owed \$1.5 million in state and local taxes, bankruptcy documents show. Neil Glassman, a bankruptcy lawyer for Raser, declined to comment.

Other companies prospered. AllEarth Renewables Inc. in Williston, Vt., for example, saw its revenues rise nearly sevenfold in two years to \$20 million, thanks largely to \$2.3 million in 1603 funds used to install solar-power systems at homes and businesses that agreed to buy the electricity generated, said spokesman Andrew Savage.

But counting jobs beyond its own 24 employees was trickier. Each installation, Mr. Savage said, "triggers a chain of activity through our suppliers that results in jobs that are real but hard to quantify."

The 1603 program gave \$10.7 billion to 5,098 businesses for 31,540 projects, according to the Treasury Department. Recipients were generally reimbursed 30% of their costs after projects were finished.

Those businesses claimed on federal applications that they created 102,883 jobs directly. But the Journal found evidence of far fewer.

About 40% of the funding, \$4.3 billion, went to 36 wind farms. During the peak of construction, they employed an average of 200 workers apiece—a total of roughly 7,200 jobs.

Now, those projects employ about 300 people, according to the companies and economic development officials. Their parent companies employ many more, both in the U.S. and abroad.

In Texas, the state comptroller estimated the Cedro Hill wind farm would create 531 jobs directly and indirectly during construction in 2010 and taper down to 44 jobs this year, according to computer models and information from developers.

But county officials said few locals were hired.

"I'm so disappointed," said Rosaura Tijerina, a Webb County commissioner who supported tax subsidies for Cedro Hill, which is owned by California-based [Edison International](#). "I expected a lot more jobs."

Susan Olavarria, a spokeswoman for Edison, said 300 people worked building the wind farm, including 80 locals. "Many of these jobs require a certain level of experience in operating heavy machinery, which can limit the availability of local workers in smaller communities," she said.

Ms. Olavarria said out-of-town employees stayed at hotels and campgrounds. They shopped, she said, bought gas and ate at restaurants.

Richard Castillo, a 46-year-old local truck driver, complained he was employed for just six weeks. "Am I counted in their jobs figures?" he said.

The American Wind Energy Association lobbied successfully in late 2010 to extend the 1603 program through 2011, predicting it would create thousands of jobs. Wind companies wound up with more than \$7 billion of the 1603 money, yet industry payrolls declined to 75,000 last year from a peak of 85,000 in 2009, according to the association.

Iberdrola Renewables Inc., the U.S. arm of a Spanish energy giant, received more than \$1.5 billion for its wind and solar projects. In January, it laid off 50 people, leaving about 850 U.S. employees, according to spokeswoman Jan Johnson.

The company takes credit for creating more than 15,000 jobs, based on economic models that count staff, suppliers, temporary construction jobs, as well as employment generated by the money workers spend on food, hotels and other purchases.

Some communities are baffled by such estimates. In Kenedy County, Texas, population 416, Iberdrola said it supported 978 jobs building a wind farm there.

"How dare they claim they created those jobs," said Dick Messbarger, executive director of the nearby Kingsville Economic Development Council. "Their existence is almost invisible."

Ms. Johnson said focusing on the number of permanent jobs "overlooks not only all the manufacturing and construction positions it took to erect the turbines, but also the 850 Iberdrola Renewables employees who work every day to ensure delivery of 4,700 megawatts of clean, renewable energy across the country."

The 1603 program also nurtured the geothermal business, which produces electricity using the earth's heat. Some recipients say the federal money didn't boost hiring.

Canada-based Nevada Geothermal Power Inc. last year received \$65 million for a geothermal plant near Winnemucca, Nev. The company used half the grant to refinance a loan and the rest for "drilling and corporate development," said government-relations chief Paul Mitchell. NGP would have likely retained the Nevada plant's 14 employees without the grant, he said, though the money helped the company maintain financial stability.

Historically, alternative energy development was funded by banks in exchange for tax credits. Those investors pulled back after the 2008 financial crisis. The 1603 program gave companies a choice of tax credits or, in most cases, cash equal to 30% of a project's cost.

Energy companies and trade groups last year spent \$14 million lobbying for 1603 and other programs, with many citing jobs.

The Solar Energy Industries Association told Congress that another year of 1603 funding would create 37,394 jobs, including indirect employment. The industry employs 100,237 workers, according to a trade group.

Private-equity firm Wayzata Investment Partners created neither jobs nor energy with the \$6.5 million it received for a plant in Thompson Falls, Mont. The facility had state permits to burn coal and wood for energy, and Wayzata had invested more than \$20 million to comply with government rules, said a person familiar with the matter.

After finishing the work, this person said, Wayzata told Treasury officials the plant would burn only wood; coal-burning plants don't qualify for 1603 money.

But Wayzata found it couldn't make money operating the plant on just wood without investing millions of dollars more in equipment improvements, said three people with knowledge of the project.

Wayzata submitted its application to the Treasury Department and in June 2010 received its payment. By then, the plant had not produced power for months, regulatory filings show. The facility, which still doesn't produce power, is for sale. Wayzata representatives declined to comment.

Another wood-burning plant, Blue Lake Power in Northern California, received more than \$5.3 million in October 2010. The plant had a number of temporary shutdowns around that time, said Chief Executive Kevin Leary. About a year ago, it laid off most of its staff and stopped producing power. Mr. Leary said the plant is now scheduled to start operating again on March 15. If the plant doesn't work, he said, it may face bankruptcy.

Grant rules require that for five years recipients annually report the number of employees and amount of power produced. Even if a project stops producing power—or employing workers—for long stretches, owners can keep the money unless they convert their facility to a use other than power production or stop trying to get the plant working within five years of receiving the grant.

So far, Treasury has tried to recoup funds from two recipients, a department spokeswoman said. Each case involved grants of less than \$1 million.

The 1603 grant applications were reviewed by the National Renewable Energy Laboratory, which is largely funded by the Department of Energy to explore alternatives to fossil fuels. The Colorado lab also developed a widely used computer model that estimates jobs generated by alternative energy projects—known as Jobs and Economic Development Impact.

The government hired the lab to count jobs created with 1603 spending. The lab found the grants had a significant impact, according to a report awaiting public release, said people familiar with the matter.

In Webb County, Texas, Ms. Tijerina, the county commissioner, said she regretted not asking for a guarantee on the number of jobs provided by the Cedro Hill wind farm.

"Another wind farm recently came in here and we told them we want it in writing that they will hire locals, even 20 or 30 people," said Ms. Tijerina, who is also a lawyer.

Ms. Olavarria, the spokeswoman for Cedro Hill parent Edison, said about \$1 million was spent locally on materials and services each month during the project's yearlong construction in 2010. The wind farm pays property taxes of about \$1 million per year, she said, and will pay \$2.5 million to a scholarship fund over 10 years.

That is little consolation to Benita Mendosa, who manages G&G Grocery in Bruni, Texas. She said the small store laid off a worker after one of the subcontractors on the project ran up a \$2,000 gas bill and didn't pay it.

How so few jobs came out of a stimulus program mystified Joseph Mendiola, acting director of Laredo Development Foundation in Webb County.

"Green energy is a future for all communities we should embrace," he said. "But they shouldn't tell us it is for jobs."

—Rob Barry contributed to this article.

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