



The Wind Coalition

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The Wind Coalition*

House Bill 2401

Good afternoon Chairman Kleeb and members of the committee. I am Kimberly Svaty and respectfully appear before you on behalf of The Wind Coalition in opposition to House Bill 2401 which would impose an excise tax on the production of wind and solar electric generation and ethanol production.

There are three main drivers to the delivered cost of wind, (1) wind quality, (2) constructed cost e.g wind turbine cost, and (3) capital cost e.g return and financing cost. Kansas has the second best wind resource in the nation - second only to Texas. The wind is comparable in Kansas, Nebraska, Oklahoma and the Texas Panhandle, the cost to build is essentially same as the terrain is similar. The cost to finance is the same. So what is the big decider after these three points? The regulatory and business environment. Kansas is in major competition with our neighbors to the north and south for wind energy development. Our neighbors are working to make their business climate favorable for additional wind development, jobs and associated investment.

Purchase power agreements that utilities or companies enter into for wind generated electricity are 20-year fixed price contracts. The price paid on day one for the generation is the price paid on the final day of the contract some two decades later. If the state was to move forward with imposing this excise tax on electric generation, it would undermine existing purchase power contracts and would put Kansas' wind product at a competitive disadvantage with other highly competitive wind energy states.

As in any competitive industry, signals drive development. For utilities looking to purchase wind, those signals are fixed fuel prices, competitive project costs, access to transmission, local community and landowner support and environmental and land-use considerations. For the industry to seed and flourish in a state, the signals are primarily derived by state policy which demonstrates a long-term commitment to a particular industry.

Conclusion

Advancement of HB 2401 in tandem with the debate surrounding the RPS and property tax exemption for renewable energy sends a message to the industry that Kansas is not the place to host the jobs and investment stemming from wind development and component part manufacturing. Advancing the bill would both stall future wind development in Kansas, create significant uncertainty for existing purchase power agreements and, worse yet, would create a competitive disadvantage for one of our state's brightest economic growth engines – the renewable energy sector.