



The Wind Coalition

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Taxation Committee
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The Wind Coalition*

House Bill 2396

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 2396 which would repeal the property tax exemption for renewable energy resources and technologies effective upon publication in the statute book. HB 2396 would replace the current property tax exemption with a ten-year exemption effective the end of 2014. There are several wind projects that have announced construction, have a conditional use permit with their host county or have a purchase power agreement signed. Any alteration to the property tax exemption should be prospective and include the projects that have already been announced. Otherwise many long-term purchase power agreements with project offtakers as well as long-term donation agreements with host counties would be jeopardized.

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. However, we are trailing a host of states including Oklahoma in wind farm development and Nebraska is aggressively playing catch up. 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.

This is about economic opportunity for the state. The wind energy market, in particular, is highly competitive. Kansas' utilities have some of the strongest wind generation projects in the nation from which to select. And in Kansas, utilities from across the nation, have the opportunity to procure some of lowest cost generation available. The strong winds which blow more often than not, making our native commodity a cost-competitive, economic choice. While Kansas does have a significant opportunity to grow its own consumption of renewable energy generated via wind, the most significant economic opportunity comes under an export paradigm wherein Kansas would further to supply other segments of the United States which do not enjoy abundant sources of renewable energy, not to mention cost-efficient renewable energy. Currently about 45% of installed wind projects in Kansas are for export. For in-state use or export, Kansas wins economically.

- Total economic benefit to Kansas - approximately \$8B
- Jobs created - 13,000
- Donation agreements - not to mention road maintenance, land is still tax, mortgage filing fee - Kingman County alone \$800,000 for the BP Flat Ridge 2 project
- More than \$16M annually for 20 years in payments to Landowners



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. *In the case of the renewable energy business, there are a host of economic tools employed to serve as signals – a welcome mat if you will – including a state renewable portfolio standard, a state production tax credit, transmission expansion, tax exemptions, TIF incentives for development, or significant local control in facility siting, just to name a few. Kansas lacks many of the signals that industry considers when determining where to locate.* Our development thus far has been primarily a result of the strong product we have to market. However, with other states providing sweeteners, the competitiveness of our product is diminished. The property tax exemption for renewable resources is a very helpful tool and one which if repealed would only further reduce the value of our state's abundant commodity.

Utility Industry Property Tax Exemptions

There is considerable precedent from this Legislature extending property and ad valorem exemptions toward electric generation, transmission and natural gas pipelines – there are at least 10 exemptions on the statute books. It is important to note, that of all the exemptions in place listed above, only wind energy has donation agreements or payment in lieu of taxes with host counties.

Conclusion

The wind industry has invested approximately \$8 billion in private capital in Kansas and created more than 13,000 jobs - all during a time with our state's economy was not growing. Furthermore, counties were able to enter into agreements with wind developers for donation agreements for the betterment of their community. HB 2396 undermines the only incentive that Kansas has in its tool box to attract additional wind development. Our neighbors to the south have a property tax exemption and a state production tax credit which contributed to a Kansas utility purchasing a wind project in Oklahoma rather than in Kansas. Our neighbors to the north are advancing a production tax credit as well. Furthermore, without a grandfather provision, this bill creates serious uncertainty regarding the existing donation agreements many of which are based on a twenty-year horizon.

Advancement of HB 2396 in tandem with the debate surrounding the RPS and the excise tax 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 development in Kansas, create significant uncertainty for our counties and, worse yet, would create a competitive disadvantage for Kansas wind projects. With the Legislature's eagle eye focus on creating jobs and investment in Kansas, why pursue legislation that would undermine an industry that has brought nothing but jobs, investment and economic opportunity across Kansas?