

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson David Corbin at 10:40 a.m. on February 5, 2003, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Gordon Self, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Whitney Damron, City of Topeka
Bill Shriver, Butler County Commissioner
Arlan Stackley, Butler County resident
Allie Devine, Kansas Livestock Association
Will Carpenter, Butler County Commissioner
Randy Doll, Butler County Commissioner
David Murfin, Flint Hills landowner
Patrick Hughes, Leon
Ron Klataske, Audubon of Kansas
Greg May, USD 205 School Board (Leon)
Leslie Kaufman, Kansas Farm Bureau
James F. Kutey, FPL Energy (Florida)
Todd Heitschmidt, Wichita County resident
Kyle Wetzel, K. Wetzel & Company, Inc.
Judie Withers, Wallace County resident
Jennifer States, J.W. Prairie Wind Power LLC
Mike Apprill, Resoruce Management Aquila, Inc.
Joann Hablutzal, Sierra Club
Tom Fair, RES North America LLC
John E. Stover, Jewell County Resident
Kirk G. Lowell, CloudCorp

Others attending: See attached list.

Whitney Damron, representing the City of Topeka, stood to inform the Committee that there would be a change in the bill which he requested to be introduced at the February 4 meeting. He reminded the Committee that he discussed the authorization of a sales tax increase for the City of Topeka to be used to finance the rebuilding of the Topeka Boulevard bridge. The City Council met later in the day and determined that a countywide sales tax would be a better option. The Revisor of Statutes will draft the bill to reflect the requested change.

SB 85—Property taxation; eliminating wind energy resources property exemptions

Senator Corbin, the sponsor of **SB 85**, noted that the bill was introduced due to concerns expressed in his senatorial district relating to the great influx of applications for wind generated energy. The main concerns his constituents have regard the aesthetic value of the Flint Hills and the fact that the total property tax exemption given a few years ago came through the Utilities Committee. He noted that the bill provides an opportunity to re-evaluate the exemption just as all other tax exemptions will be reviewed by the House Taxation Committee.

Bill Shriver, Butler County Commissioner, testified in support of **SB 85**, noting that approximately eight wind power companies have shown an interest in his county. Although wind power companies are exempt from taxes, their proposals have offered annual gifts to the county and local school districts in amounts from

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:40 a.m. on February 5, 2003, in Room 519-S of the Capitol.

\$200,000 to \$400,000. Mr. Shriver pointed out that a wind farm provides jobs, generates royalty payments, and, in addition, large quantities of goods and services are purchased during construction. To provide a level playing field for wind power companies and to ensure a certain tax base for the county, he proposed a phase in tax with the first year or two abated, then escalating to year ten. ([Attachment 1](#))

Arlan Stackley, a life-long resident of Butler County, testified in support of **SB 85**. He shared information he had gathered regarding the amount of tax revenue collected from wind energy production by other states, pointing out that volunteer tax contributions by wind generating companies in Kansas are considerably lower than the amount of tax revenue currently collected by other states. In addition, he noted that renewable energy companies receive a federal tax credit. He questioned the necessity of Kansas giving wind energy companies additional tax relief. ([Attachment 2](#))

Allie Devine, Kansas Livestock Association (KLA), stated that KLA is very interested in the future development of wind energy in Kansas and has hosted several meetings to educate members and other landowners about wind operations. KLA supports of the concept of repeal in **SB 85**; however, KLA recommends an initial exemption and a graduated increase in local property taxes over a period of time. ([Attachment 3](#))

Will Carpenter, a Butler County Commissioner, testified in support of **SB 85**, noting that the issue does not involve a debate as to whether or not wind farms should be allowed in Butler County. Although there has not been a consensus among Butler County Commissioners concerning what level of taxation is fair and just, the Commission agrees that a change in the tax code is necessary. ([Attachment 4](#))

Randy Doll, a Butler County Commissioner, testified in support of **SB 85**. He informed the Committee that, on a close vote, Butler County recently approved a conditional use permit for the construction of a large wind farm plant. In his opinion, wind farm companies do not have viable business operations if a tax credit is the sole issue on whether or not they locate in a county. Mr. Doll supports both wind farm development and taxation of wind farms. He believes that taxation is not unreasonable because the wind farms will use the roads, infrastructure, and other services provided by the local government. ([Attachment 5](#))

David Murfin, who owns range land next to a proposed utility scale wind turbine complex in the Flint Hills, testified in support of **SB 85**. He commented that the current tax exemption provides an incentive for the destruction of the state's cultural and environmental resources, thus, hurting people like himself who want to preserve the beauty of the tall grass prairie. He emphasized that the beauty Flint Hills will be lost to urbanization and industrialization in the next few years if the State of Kansas continues to grant a tax incentive to destroy the land. In addition, he pointed out that this particular property tax exemption does not affect the people of Kansas as a whole but rather affects only the owners of the land surrounding the wind turbine complexes who must fund local units of government without the assistance of tax revenue from thousands of acres which have been removed from the tax base. ([Attachment 6](#))

Patrick Hughes, a resident of Leon, testified in support of **SB 85**. He discussed two questions: (1) What is it that as a state we want to encourage in our energy policy? and (2) What is it that the current property tax exemption encourages? He suggested that, if existing wind turbine technologies are competitive, they should be able to thrive without the property tax exemption, given the series of other incentives for their implementation. Furthermore, he contended that the state pays a permanent price when encouraging the implementation of wind turbine complexes which may or may not in the long run prove superior to other competing technologies such as solar and biomass. As to the claim that repealing the exemption will drive turbine complexes to other states, Mr. Hughes observed that the wind in Kansas will still blow if and when wind power truly becomes competitive. ([Attachment 7](#))

Ron Klataske, Audubon of Kansas, testified in support of **SB 85**. In his opinion, the industrial scale wind power industry is not in need of Kansas taxpayer subsidies because the federal government has provided large sums in grants and contracts, millions of dollars for research, and an extraordinary tax write off. In addition, he contended that it is not appropriate to provide venture capitalists and companies with tax incentives when they are destroying ecological, cultural, and scenic values important to the state. ([Attachment 8](#))

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Greg May, a member of the USD 205 School Board in the Leon-Bluestem School District, testified in support of **SB 85**. He noted that two separate companies have petitioned the Butler County Commission to place wind energy facilities in an area within his school district. He contended that the taxation law exempting these companies from the tax base is misguided public policy for the sake of promoting wind energy and, in large part, it is bad government for the taxpaying patrons of his district. In his view, the patrons of his school district are being asked to underwrite the viability of the companies. He considers this unfair, especially when the school district is facing possible reductions in teachers and staff and elimination of extracurricular activities. He maintained that the bill is good public policy because it establishes the same tax policy for wind energy companies which applies to every other business, farm, or ranch in his district. (Attachment 9)

Leslie Kaufman, Kansas Farm Bureau, presented a public policy statement relating **SB 85** which Bureau members recently adopted. Members are concerned with wind generation facilities being totally exempted for all time from property tax and urge the Legislature to develop a plan which includes a graduated tax schedule as an incentive to encourage wind generation in Kansas. (Attachment 10)

Senator Corbin called the Committee's attention to written testimony in support of **SB 85** submitted by Dale Osborn with Distributed Generation Systems, Inc., (Attachment 11) and Stanley A. Skaer, Greenwood County Commissioner (Attachment 12).

James Kutey, representing FPL Energy of Florida, testified in opposition to **SB 85**. At the outset, he noted that he is the Business Manager for the Gray County Wind Energy project and four other FPL Energy wind facilities across the country. He pointed out that Kansas has been named the top state for wind resource potential; however, Kansas currently lags behind Iowa and Minnesota in the amount of wind energy it produces. He noted that, while other states are looking for ways to reduce taxes and provide incentives to attract wind energy development, **SB 85** would increase the cost of doing business in Kansas. He discussed the economic impact on Kansas citizens if wind development in the state is halted. He went on to explain that the bill would result in an increase in the cost of wholesale power by 20-25 percent for a wind project the size of the Gray County project. He emphasized that FPL could not sell the output power if these increased energy costs were to be realized; therefore, the project would not be built. In conclusion, Mr. Kutey said the bill sends an inconsistent signal to FPL after having committed significant capital in 2001 to the Gray County Project following the 1999 property tax exemption for renewable technologies. (Attachment 13)

Todd Heitschmidt, a resident of Wichita County, testified in opposition to **SB 85**. Noting that Wichita County recently announced plans for the first wind energy development project, he expressed his support for wind energy as a viable component to the future of county. He observed that reimposing the tax defeats economic development at a time when the economy is already suffering. He maintained that the elimination of the property tax exemption on wind energy will diminish Kansas' competitive edge over Colorado. In addition, he pointed out that the rental income to landowners in his area will be a welcome relief to the current slump in the agricultural economy. In his opinion, the issue at hand is not the property tax exemption for wind energy but rather the possibility of wind energy development in the Flint Hills area. He urged the Committee, "Do not penalized the rest of the state for the interests of a few in the Flint Hills area." (Attachment 14)

Kyle Wetz, President of K. Wetz & Company, testified in opposition to **SB 85**. He clarified that his company is not a developer of wind farms, and he has no personal financial stake in the tax exemption for wind farms. However, he is personally concerned that Kansas continues to have progressive policies which promote the development of renewable energy in the state. He followed with an outline of six reasons he opposes the bill. In conclusion, he noted that, as Chairman of the state's Renewable Energy Working Group, he has worked during the past eight months to find consensus on this controversial issue. In his opinion, some persons are not seeking consensus. Instead, they are attempting to stop wind farms in the Flint Hills through elimination of the tax exemption. He suggested that those who want to stop Flint Hills wind farms should introduce legislation to that effect and leave the property tax exemption alone. (Attachment 15)

Judie Withers, a Wallace County landowner, testified in opposition to **SB 85**. She explained that Wallace County is near Goodland, one of the windiest cities in Kansas. She went on to note Wallace County has been severely hit by the current drought, forcing many cattle producers to sell out or reduce their herds. There are

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no jobs to take them through this period. She reasoned, if wind energy is developed in the area, there will be many temporary jobs available during the construction period and several permanent jobs in the future. She also opposes the bill because changing the rules in the middle of the game will drive wind energy developers away from Kansas to Colorado where the Legislature is currently taking steps to develop a renewable energy portfolio. ([Attachment 16](#))

Jennifer States, J.W. Prairie Wind Power LLC of Lawrence, testified in opposition to **SB 85**. She discussed the following rural economic benefits of wind energy development in Kansas counties: (1) payment of in lieu of taxes, (2) lease payments to landowners, (3) creation of jobs, (4) increased income for local businesses, (5) potential of tourism development due to the turbines, and (6) a renewable energy source that produces no pollutants. She contended that the property tax exemption for wind farms will ensure that wind energy will continue to be competitive with other sources of energy. She followed with an itemization of reasons she believes the repeal of the exemption will hurt the Kansas economy instead of help it. In her opinion, a repeal could result in the loss of future projects in Kansas and the economic benefits that could be enjoyed by Kansas' rural communities. ([Attachment 17](#))

Mike Apprill, Resource Management Aquila, Inc., testified in opposition to **SB 85**. He explained that Aquila has a long-term purchase power contract with Gray County Wind Energy. He is concerned that over half of the cost of property taxes to be assessed to Gray County Wind Energy will, in turn, be passed on to Aquila due to the language in the purchase power agreement. He feels that it is inappropriate to impose this added cost on Aquila's customers more than two years after the contract was signed. Mr. Apprill also believes that the bill will significantly discourage the development of new wind projects in Kansas, thus eliminating a unique opportunity to be a significant exporter of wind energy. ([Attachment 18](#))

Joann Hablutzel, representing the Sierra Club, testified in opposition to **SB 85**, noting that the bill purports to assist counties in receiving property tax from wind farms, but it will actually guarantee that they receive no money at all because wind developers will not invest in Kansas if they have to pay full property tax. She reasoned that developers can simply go to a state that is promoting wind energy, not killing it. They will develop wind farms in those states and then sell to markets that need the power. ([Attachment 19](#))

Tom Fair, RES North America LLC, testified in opposition to **SB 85**. He explained that RES became interested in doing business in Kansas after researching Kansas' tremendous untapped potential for wind energy development and after finding that Kansas tax law provides an exemption from property taxes for renewable energy resources or technologies. Relying on the property tax exemption over the past two years, RES has spent a considerable amount of effort and money to develop wind energy sites and projects in western Kansas. However, **SB 85** places a dark cloud over RES which can spoil plans for continuing investment in business in Kansas. He pointed out that a greater tax burden on wind farms only raises the cost of energy they produce. He argued that singling out wind for removal from the list of renewable energy technologies that receive a tax exemption is discriminatory. ([Attachment 20](#))

John Stover, a Jewel County landowner, testified in opposition to **SB 85**. He noted that wind farms offer citizens of the drought ridden western half of Kansas an opportunity for income from a new industry. He noted that wind energy is clean, and if developed to its full potential, it could provide a substantial amount of the state's energy needs. In his opinion, removal of the tax exemption for wind farms will discourage much needed development in western Kansas. ([Attachment 21](#))

Kirk Lowell, CloudCorp of Concordia, testified in opposition to **SB 85**. He explained that, on July 24, 2000, CloudCorp began working on a project with a wind energy developer who was lured to the state by the exemption. He noted that local citizens strongly support the location of a wind energy farm in the county. To date, wind data collection and related analysis for the proposed project has cost the developer approximately \$40,000. On January 31, 2003, the developer informed CloudCorp that Cloud County has proved to be a good site for wind potential although a buyer for energy from the site had not yet been found. Mr. Lowell believes that a repeal of the wind energy exemption will more than likely kill Cloud County's opportunity for wind development, thus creating an unnecessary economic hardship to the citizens of Cloud County. ([Attachment 22](#))

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There being no further time, Senator Corbin announced that the hearing on **SB 85** would be continued to Tuesday, February 11, at which time the remaining conferees in opposition will be given an opportunity to present their testimony.

Copies of written testimony in opposition to **SB 85** submitted by W. Wiley McFarland, Gray County Commissioner, (Attachment 23) and J. Stanley Walker, Lincoln County Economic Development Foundation, (Attachment 24) were distributed to the Committee.

The meeting was adjourned at 12:15 p.m.

The next meeting is scheduled for February 11, 2003.

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: February 5, 2003

NAME	REPRESENTING
SCOTT SCHNEIDER	GRBA
BILL SHRIVER	BUTLER Co.
Jim Floger	KCC
Kyle Wetzel	
Will Carpenter	Butter Commission
DOUG LAWRENCE	WESTAR ENERGY
JC Long	Aquila, Inc.
DAVID EYERLY	enxio
Mary Stackley	-
Alan Stackley	Butler Co.
Mike Beam	KS. LUSTK. ASSN.
TROY HELMING	Kansas Wind Power, LLC
Jim Wether	Wallace Co
John E. Stover	Jewell County
Judie Wickers	Wallace County
Mike Appell	Aquila Inc.
JAMES Kutey	FPL ENERGY
Steve M...	Sunflower Electric Power Corp.
Dave Hattans	KEC

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: Feb 5, 2003

NAME	REPRESENTING
Bill Brady Mehrdad Hasni	K's Gov't Consulting Senator Oleen Page
Elise White	Page for Oleen
Tracy Britt	Senator Oleen Page
Melanie Weiser	Page for Senator Oleen
ELBRUZ YILMAZ	KTEC
Kirk G Lowell	CloudCorp
Randy Doll	Butler County
William Underwood	MORRIS COUNTY FARMERS
Jennifer States	JW Prairie Wind Power
Ron Cochran	CSBA
DAVID FARRAND	Williams Companies
Dian Rose	" "
Patrick B. Hughes	David Martin for CSBA
Greg May	self / Protect the Flint Hills
Paul Hunter	Williams Companies
Anna Mae Oldham	Wichita Co. Econ. develop.
Loy Oldham	Wichita Co. Econ. Econ Development
Shirley Oldham	Wichita Co. Economic Dev.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: February 5, 2003

NAME	REPRESENTING
Greg Laws	RES North America, LLC
Tom Fair	" " " "
Dayna Krenzel	Wichita County
Todd Heeschmidt	Wichita County
Elizabeth Gould	Wichita County
Hermit Fretschner	Ford County
Charles Benjamin	KS Sierra Club - <u>NOT</u> Testifying
Ann Habdutzel	KS Sierra Club
Chin Waring	Ks. Lumber Association
Greg Krissell	KS Corn Growers
LES EVANS	WINDPOWER, INC.
MARK Cardullo	KFOR
Randi Tveitaraas Jack	KS Dept. of Commerce & Housing
Judy Malen	Ks. Assn of Counties



SB# 85

Tax Committee
Wind Generation

Wednesday
10:30 a.m. 2/5/03

Name Bill Shriver, Butler County Commissioner
Address Augusta, Kansas

WK Shriver

Butler County has the wind speeds, elevations, and high voltage cross country transmission lines available to make it very attractive for wind electrical generation. Approximately 8 Windpower Companies have shown an interest in our County.

Three companies have applied for Conditional Use Permits in the past two (2) months.
One was approved.
One was denied.
One was withdrawn.

These companies have been exempt from taxes on installed equipment; however, their proposals have offered annual gifts to the county and local school districts in amounts from \$200,000 to \$400,000. These windfarms were of equal output and number of turbines (68-70) at 1-1/2 megawatts or total output of 100 megawatts.

Should these companies change ownership or business practices; there is not a guarantee that the contributions would continue.

The typical windfarm would provide 5-8 jobs; generate royalty payments to landowners, and during construction purchase large quantities of goods and services --- with total project costs of \$100,000,000.00.

In normal operations, they will rely on county services i.e.: Sheriff, EMS, Fire Districts, Landfill, Planning & Zoning, etc. -- and their employees will likewise use county services (without paying county taxes).

To encourage renewable windpower electrical generators and provide a level playing field for Windpower Companies and a certain tax base for the county -----

I would propose a phased in tax with the first year or two abated, then from year three escalating to year ten approaching full rates.

These are normally considered 20-year projects as the base case with possible extensions.

Randy Doll, 1st District
1157 Ginkgo, Andover, KS 67002

Bill Shriver, 2nd District
4 Taylor Dr., Augusta, Kansas, 67010

Will Carpenter, 3rd District
6965 SW 18th, El Dorado, Kansas 67042

Mike Wheeler, 4th District
1951 Chelsea Dr., El Dorado, Kansas 67042

Phil Anderson, 5th District
21311 SW Hunter Rd., Douglass, KS 67039

Mr. Chairman, Vice Chairman, Senators, I'm grateful for the opportunity to appear before you this morning and present information concerning the property tax issue related to wind energy companies. I am Arlan Stackley, a life long resident of Butler County, operating a ranch that was started by my wife's family in 1878. Our son is the 5th generation to be working on the ranch located half way between El Dorado and Cassoday, Kansas.

I became interested in wind generating facilities when Zilkha Renewable Energy of Houston, Texas proposed wind generation east of Rosalia, Kansas. At a Butler County planning meeting a Zilkha official stated that he wished Kansas had not exempted property taxes because it made it difficult for them to figure out how much to offer as a volunteer contribution. They proposed a volunteer tax contribution schedule which over the 20 year life of the project would benefit the area over 6.5 million dollars. This schedule can be found on page two of their promotional information.

I wondered how this contribution compared to other wind projects and contacted Mrs. Beverly Pangburn, County Commissioner, Worth County, Iowa where Zilkha had built a wind generating facility. She could not believe Kansas was not taxing wind energy production and sent me information on Iowa's taxing program. Their tax for a 80 megawatt facility over 20 years was over 9 million dollars. Iowa's tax code and tax schedule are included in the handout.

The information on the Montezuma wind facility was gathered through the county clerk which indicated a minimum voluntary tax contribution of \$305,000.00 per year with inflation adjustments not to exceed \$380,000.00 per year. Kansas Wind Power offered \$150,000.00 as tax contribution for a 100 megawatt facility south of Leon, Kansas. Elk River Wind Farm offered \$175,000.00 tax contribution for up to 10 years for a 100.5 megawatt facility. People became concerned not only about the variance in tax offerings but what happens to these offers when the facilities are sold, which seems to be quite frequent.

Renewable energy companies receive 1.8 cents per kilowatt federal tax credit once they become operational. Zilkha said they would generate 300 million kilowatts of power per year which translates to a 5.4 million dollar tax credit which can be resold, some times for quite a price increase. With this federal tax credit I question the necessity of Kansas giving wind energy companies additional tax relief.

Kansas is noted for its abundance of wind and it should be considered a natural resource. It doesn't seem reasonable that Kansas should give away its wind. We taxed oil, why should wind be any different.

*Senate Assessment & Taxation
2-5-03
Attachment 2*

Some claim that energy companies won't come to Kansas without tax incentives. Some companies may not come but reliable, stable companies will come because Kansas has the wind.

I support SB 85 because it will provide a level playing field for energy companies and assure counties they will receive monies that have been promised. All I and many other people in Kansas are asking for is a fair tax base related to other electricity producing companies.

Thank you for letting me present my thoughts and I would entertain any questions you might have.

The Rosalia Wind Farm Project Butler County, Kansas

Zilkha Renewable Energy is a wind energy company. We have been in the business of developing, owning, and operating wind power projects since 1991. Zilkha owns and operates eleven wind power projects in the US, Europe, and Central America for a total of 245 megawatts of pollution-free, energy-generating capacity.

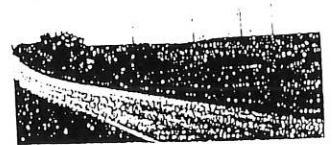


Visual simulation of
Rosalia Wind Farm

Zilkha is currently in the process of securing agreements to develop a \$100 million wind farm in Eastern Kansas called the Rosalia Wind Farm. In addition to the number of environmental benefits that this project will provide, the Rosalia Wind Farm will bring the community economic benefits that will serve local schools as well as the local infrastructure.

Project Facts and Figures

Location: 15 miles east of El Dorado, Kansas
 Anticipated Construction Date: 2003/2004
 Construction Time Frame: 6-9 months
 Project Size: 100-110 megawatts
 Annual Power Generation: 300 million kilowatt-hours or 30,000 average homes
 Number of Turbines: 67-73 *\$5,400,000 tax credits*

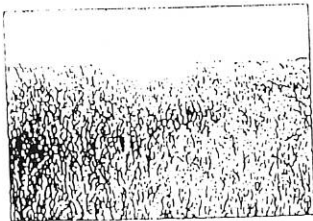


Visual simulation

Benefits of the Rosalia Wind Farm Project to Butler County

- Direct contribution to improve county services. Zilkha has developed an annual contribution schedule for both the Flinthills School District #492 and Butler County. Over the life of the project, the total contribution will be over \$6.5 million.
- Local job opportunities. Zilkha will employ 80-100 local contractors during the construction phase and 6-8 full time, highly skilled employees during the life of the project.
- Increase in revenue to service industries (hotels, restaurants, etc.). The Rosalia Project is expected to bring in about \$100,000 during the construction phase to the local service industry.

Avian and Prairie Ecology Studies



Zilkha has hired three of the state's top scientists, Dr. Bob Robel (Kansas State University); Dr. Kelly Kindscher (Kansas Biological Survey), and Mr. Gene Young to conduct studies on the local tall-grass prairie ecosystem. Particular focus was placed on the Greater Prairie-Chicken and other avian species and their corresponding habitats. We have recently completed Phase I of our Voluntary Avian Impact Study and are currently in the midst of conducting Phase II of our investigation. These studies will determine the current state of the habitats and species surrounding the wind farm site, the potential impacts of the wind farm on the environment, and mitigation strategies to resolve current and future challenges.

WE WANT TO MEET YOU!
 The Zilkha Renewable Energy
 Rosalia Wind Farm Project Open House

When: Tuesday, September 24, 3:30-7:00PM
 Where: Zilkha Renewable Energy El Dorado, KS, Office
 Talk to our El Dorado office staff and find out everything you want to know about our company, the Rosalia Wind Farm, and wind energy. Flip through our collection of visual simulations of the prairie, take home some informative literature, and watch a brief video of landowners who live on some of our wind farms in other regions.

Zilkha



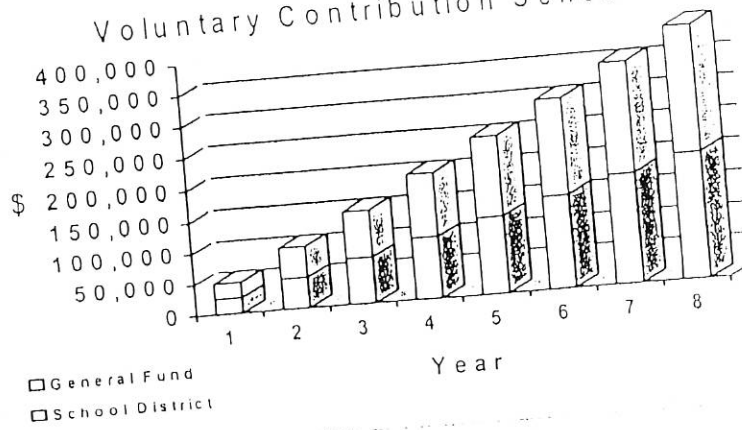
Zilkha Renewable Energy
 El Dorado, KS, Office
 120 N. Main, Suite 6
 El Dorado, KS 67042
 Phone: (316) 320-7233
 Fax: (316) 320-7431

Zilkha's Annual Contributions

In its ongoing commitment to the communities surrounding its wind farms, Zilkha will provide an annual voluntary contribution to benefit both the Flinthills School District and the Butler County General Fund. The annual contributions will begin as soon as construction of the wind farm is completed.

Each year the contribution will double, with fifty percent going directly to the Flinthills School District and fifty percent to Butler County.

Voluntary Contribution Schedule



Please view our complete visual simulation portfolio at www.zilkha.com/latestprojectsims.asp

Visual Simulations: How the Rosalia Wind Farm Will Look

An important component of the development of a wind farm is preparing realistic and accurate visual simulations of how the completed project will look. This allows the landowners, concerned citizens, and permitting and developer officials to visualize the project from various perspectives and under different conditions. The visual simulations presented here were created using WindPro, an advanced software program designed specifically for this purpose that is internationally recognized as state of the art.

The process begins by taking digital photographs from representative locations and recording the exact coordinates, as well as visual landmarks like signs, trees, and communications towers, to orient the picture. Using the actual measurements of the proposed wind turbines' size and design, and proposed turbine configurations, the software program then inserts precisely scaled images of the turbines into the photograph in the proper locations, creating an accurate simulation of the wind farm. These simulations are based upon turbines of the size and design that are proposed for the Rosalia Wind Power Project.

BEFORE (visual simulation)



AFTER (project as built)



These photographs depict our Top of Iowa Wind Farm in Joice, Iowa. The visual simulation in the Before picture was made in Spring of 2001, and construction was completed in the Fall of 2001. The power lines to the right of the road in the After picture transmit the electricity generated at Top of Iowa to consumers.

DIVISION V

SPECIAL VALUATION FOR WIND ENERGY
CONVERSION PROPERTY

427B.26 Special valuation of wind energy conversion property.

1. a. A city council or county board of supervisors may provide by ordinance for the special valuation of wind energy conversion property as provided in subsection 2. The ordinance may be enacted not less than thirty days after a public hearing on the ordinance is held. Notice of the hearing shall be published in accordance with section 331.305 in the case of a county, or section 362.3 in the case of a city. The ordinance shall only apply to property first assessed on or after the effective date of the ordinance.

b. If in the opinion of the city council or the county board of supervisors continuation of the special valuation provided under this section ceases to be of benefit to the city or county, the city council or the county board of supervisors may repeal the ordinance authorized by this subsection. Property specially valued under this section prior to repeal of the ordinance shall continue to be valued under this section until the end of the nine-

*Iowa tax code
on wind energy*

10/09/02 WED 10:10 FAX 15153242310

WORTH CO AUDITOR

008

§427B.26. SPECIAL TAX PROVISIONS

306

teenth assessment year following the assessment year in which the property was first assessed.

2. In lieu of the valuation and assessment provisions in section 441.21, subsection 8, paragraphs "b" and "c", and sections 428.24 to 428.29, wind energy conversion property which is first assessed for property taxation on or after January 1, 1994, and on or after the effective date of the ordinance enacted pursuant to subsection 1, shall be valued by the local assessor for property tax purposes as follows:

a. For the first assessment year, at zero percent of the net acquisition cost.

b. For the second through sixth assessment years, at a percent of the net acquisition cost which rate increases by five percentage points each assessment year.

c. For the seventh and succeeding assessment years, at thirty percent of the net acquisition cost.

3. The taxpayer shall file with the local assessor by February 1 of the assessment year in which the wind energy conversion property is first assessed for property tax purposes, a declaration of intent to have the property assessed at the value determined under this section in lieu of the valuation and assessment provisions in section 441.21, subsection 8, paragraphs "b" and "c", and sections 428.24 to 428.29.

1. For purposes of this section:

a. "Net acquisition cost" means the acquired cost of the property including all foundations and installation cost less any excess cost adjustment.

b. "Wind energy conversion property" means the entire wind plant including, but not limited to, a wind charger, windmill, wind turbine, tower and electrical equipment, pad mount transformers, power lines, and substation.

93 Acts, ch 161 §2

IOWA TAX Schedule

2-6

file://c:\windows\TEMP\trikIBBK.htm

	Per Turbine Acquisition Cost \$ 800,000.00	Assessed Value Per Turbine	Total
Year 1		\$ -	\$ -
Year 2		\$ 4,000.00	\$ 95,001.20
Year 3		\$ 8,000.00	\$ 190,002.40
Year 4		\$ 12,000.00	\$ 285,003.61
Year 5		\$ 16,000.00	\$ 380,004.81
Year 6		\$ 20,000.00	\$ 475,006.01
Year 7		\$ 24,000.00	\$ 570,007.21

10/03/02 NEW 10.00 FAX 10100244010
MURIN CO AUDITOR

This is an 80 megawatt farm
 Total tax over 20 year life of farm = \$ 9,405,114.00
 Farm contains 88 turbines
 7th year tax rate per turbine = \$ 6477.00

10/2/02

Montezuma Wind Farm

Gray County, Kansas

Owner--Florida Power and Light

110 megawatt facility

170 wind generators

Voluntary tax donation--minimum \$305,000.00 per year

Tax adjustment for inflation--maximum \$380,000.00 per year

School district receives \$116,000.00 of base tax per year

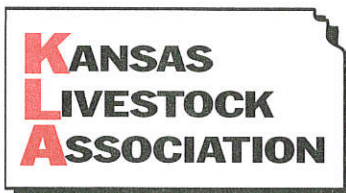
First payment due February 2003

Area appraised commercial use

42 feet around each tower

20 foot wide road easement

Employs 11 people



Since 1894

TESTIMONY

To: Senate Assessment and Taxation Committee
From: Allie Devine, Vice President and General Counsel
Subject: SB 85
Date: February 5, 2003

Mr. Chairman and members of the committee, my name is Allie Devine. I am representing the Kansas Livestock Association. The Kansas Livestock Association (KLA) is a trade organization that represents all segments of the livestock industry and has approximately 6,500 members.

Members of KLA are very interested in the future development of wind energy in Kansas. KLA has hosted several meetings to educate our members and other landowners about wind operations. KLA formed a special working group of interested landowners to discuss what, if any, positions KLA should take on proposed legislation.

The issue of taxation arose during the working group meeting. Our members decided that the state should not do anything to discourage wind operations from development in Kansas. Members discussed that some wind development companies have offered and made payments to local school districts in-lieu of taxes. While this is generous, our members recognized that there is no long-term commitment for companies to continue this practice and that these payments have caused some confusion about funding at the local level.

To reach a measure of reliability for local government funding sources, our members recommend a graduated tax payment schedule. Under KLA's idea, taxes would be paid by utilities over a ten-year period. The turbines and equipment owned by the utilities would be exempt in the early years, and gradually taxed in the out years.

In short, we support the concept of repeal, but unlike SB 85, our support is for initial exemptions and a graduated increase in taxes over a period of time.

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Attachment 3*

5. TAXATION OF WIND POWER (2003)

WHEREAS, farm and ranch land in Kansas has been identified as an ideal location for the development of large scale commercial wind powered electric generating facilities, and

WHEREAS, Kansas law exempts such facilities from ad valorem taxation, and

WHEREAS, wind power development companies have offered in-lieu of tax payments to local units of government and schools where such facilities are proposed, and

WHEREAS, property taxes on agricultural land have become a significant financial burden for landowners in many rural areas of Kansas.

THEREFORE, BE IT RESOLVED, the Kansas Livestock Association supports legislation to require wind power facilities to pay local property taxes.

BE IT FURTHER RESOLVED, the state should develop an appraisal or assessment procedure, such as a graduated schedule over a ten-year period, which encourages development in Kansas.



February 4, 2003

TO: Senate Taxation Committee

CC: Senator David Corbin

RE: Senate Bill 85
Windfarm Abatements

Dear Committee:

Butler County supports the changes in the existing tax codes concerning full abatement of personal property taxes on wind generation facilities.

Butler County further supports change in the tax code that has been proposed, but there has not been consensus between the Commission concerning what level of taxation is fair and just. The Board of Butler County Commissioners does agree that changes are necessary and would offer any assistance and support in future legislation.

Sincerely,

Will Carpenter
Butler County Commission Chair

Randy Doll, 1st District
1157 Ginkgo, Andover, KS 67002

Bill Shriver, 2nd District
4 Taylor Dr., Augusta, Kansas, 67010

Will Carpenter, 3rd District
6965 SW 18th, El Dorado, Kansas 67042

Mike Wheeler, 4th District
1951 Chelsea Dr., El Dorado, Kansas 67042

Phil Anderson, 5th District
21311 SW Hunter Rd., Douglass, KS 67039



Testimony in support of Senate Bill 85
February 5, 2003

Butler County recently approved a Conditional Use Permit for the construction of a large wind farm plant located near the town of Beaumont in Butler County. This permit was approved with close votes at both the planning commission and county commission levels. The citizens of the area are generally opposed to the idea of these wind farms as witnessed by the emails, letters, and other correspondence received by myself and other Butler County Commissioners.

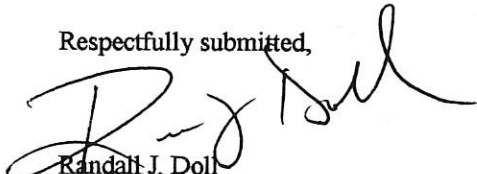
The reason Butler County is now inundated with wind farm proposals and applications is simply because of the tax legislation passed by the State legislature that eliminates the personal property tax on the actual wind turbine machinery. These wind farm companies were not knocking on our door two, three or ten years ago. The reason they are now is because of bad legislation that allows them to construct and operate marginal business operations.

I am a business man and real estate developer. I project revenues and expenses prior to each new project and determine if any profit is produced. If it is I proceed. If there is no profit then I don't proceed. The wind farm companies do not have viable business operations if a tax credit is the sole issue on whether or not they locate to our county.

The main point is that I support wind farm development and other renewable sources of energy. I support wind farm development in Butler County in the right location. I think it is intuitive that if a company is willing to spend in excess of \$50 million dollars in capital in our county, then paying taxes to local county government is not unreasonable. In fact if a company is not willing to support local government which provides roads, infrastructure, and other services then it has no place in any county.

I urge you to support Senate Bill 85.

Respectfully submitted,



Randall J. Doll
Butler County Commissioner

Randy Doll, 1st District
2157 Ginkgo, Andover, KS 67002

Bill Shriver, 2nd District
4 Taylor Dr., Augusta, Kansas, 67010

Will Carpenter, 3rd District
6965 SW 18th, El Dorado, Kansas 67042

Mike Wheeler, 4th District
1951 Chelsea Dr., El Dorado, Kansas 67042

Phil Anderson, 5th District
21311 SW Hunter Rd., Douglass, KS 67039

Assessment and Taxation Committee
February 4, 2003

My name is David Murfin and I am here to testify in support of Senate Bill 85. I own land next to a proposed utility scale wind turbine complex in the Flint Hills. Let me tell you about my land. It is 3,500 acres of range land, of tall grass prairie, parts of which have been in my family for three generations. From on top of the highest hill you can see what people picture in their mind's eye when they dream of the days when buffalo roamed the plains. It is because of that land and what it represents to me, to my neighbors, and to the people of this state that I am here today.

I support Senate Bill 85 because it removes an injustice in the tax statutes. The current exemption hurts people like me because it puts the government on the side of my neighbor who wants a utility scale turbine complex in our neighborhood and against me, who wants to preserve the beauty of the remaining remnant of the tall grass prairie for my children. And it hurts people like me because it increases the tax burden on property owners near wind turbine complexes by exempting that property from the tax rolls.

Giving a property tax exemption to utility scale wind turbine complexes incentivizes the destruction of our cultural and environmental resources. It gives an incentive to those who would destroy our landscapes without providing *any* recognition of the value of what is destroyed. A tax incentive that prefers industrial developments over traditional agricultural uses that preserve our heritage functions as a statement of public policy—a statement of public policy declaring that preservation has no value. In balancing the desires of these out of state utilities against the needs of us private landowners, the Legislature has put its thumb on the scale on the side of the power companies.

I think the Legislature should step up to the plate and protect the Flint Hills before we lose them. But even if the Legislature is inclined to leave the question of what areas deserve preservation to local authorities and private property owners, targeted tax exemptions create a slanted and unfair playing field between competing industrial and agricultural/preservation uses. At the very least, the Legislature should stay out of effectively endorsing the transformation of the areas I have sought to protect into inappropriate industrial enterprises. The only way for this committee to stay out of the debate and not favor the forces of inappropriate industrialization is to remove the tax exemption. If these utility scale wind turbine complexes are a good idea, let them stand on their own merits, not as subsidized behemoths.

You will not hear throngs of people like me speaking out against utility scale turbine complexes, because in the Flint Hill there are not throngs of neighbors to object. But that is why the Flint Hills is so special—because we have not yet lost its landscape to urbanization and industrialization. But we will lose it in the next few months or years if the State of Kansas continues to grant a tax incentive to destroy the land.

And what do we the people of Kansas get for it? No tax dollars, that's for certain. Not very many jobs either, especially compared with the lost tourism potential of our last great landscapes.

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What we get is accelerated development without forethought. Accelerated development that forever changes the character of our state.

I have one final point. As a neighboring landowner I am concerned because we are told that the money that the landowners receive on a per-acre basis for leasing their property for utility scale wind turbines exceeds the income available from farming and ranching. To me that means that it's not much of a stretch to say that the "predominant use" of the land will be for a wind turbine complex—thus removing the whole property, and not just the turbines themselves, from the tax rolls. Yet local units of government still need taxes dollars to operate. That means that taxes that were being paid by my neighbor for schools, townships, cemetery districts, library districts, fire districts and the like will now fall upon me and the rest of my neighbors whose property remains non-industrial agricultural use and remains part of the tax base. Is this any way to preserve agriculture: increasing the property taxes on those who use their land for agricultural purposes to provide a tax incentive to out-of-state industrial power companies? This property tax exemption is not funded by the people of Kansas as a whole. It is funded by the neighbors of wind turbine complexes who still must fund local units of government, but now without the assistance of the thousands of acres removed from the tax base.

The impact of the tax exemption may not have been fully apparent when it was passed. But it is apparent now: It promotes inappropriate industrial development that might otherwise not be economical at the expense of other important values, it cost us our treasured landscapes and our heritage, and it is punitive to those would leave their property in traditional agricultural use. It is unjust. I ask you to vote in favor of Senate Bill 85.

Patrick B. Hughes
Testimony before the Senate Assessment and Taxation Committee
SB 85
February 4, 2003

I have two questions. First, what is it that as a state we want to encourage in our energy policy? I suggest that what is valuable is new and economically competitive alternatives to coal and natural gas—the non-renewable, finite resources we currently rely on and will be forced by scarcity to someday replace. My second question is this: what is it that the current property tax exemption encourages? That seems obvious, but let's think about it. The current property tax exemption does not encourage the development of new, economically competitive renewable energy technologies. Instead, by creating a tax benefit for construction rather than for research and development, it encourages the implementation of existing technologies. If these existing technologies met our criteria of being economical alternatives to natural gas and coal, they would not need the tax exemption.

If our goal is economical renewable sources of electric power, then we create only a false success through a series of incentives that artificially drive down the cost of producing electricity from existing renewable technologies, rather than encouraging the research and development of more efficient technologies that could compete on their own merits.

If these existing wind turbine technologies are even marginally competitive they should be able to thrive without the property tax exemption, given the series of other incentives for their implementation. The federal government through PURPA guarantees a market for renewable energy producers, and through Production Tax Credits the federal government pays these power companies to produce their electricity. Beyond that, industrial wind turbine complexes get federal underwriting through special accelerated depreciation rules that can turn a naturally unattractive investment into a very attractive one. In addition, the federal government is now considering further manipulation of the energy marketplace by implementing portfolio requirements mandating that a certain percentage of our nation's power come from renewable sources.

With these federal incentives it may be that some applications of existing wind turbine technology are in fact economical. If that is so, then there is no need for a tax exemption and the loss of revenue sources to local governments that results. But at the margins, where a tax exemption is the difference between building a wind turbine complex and shelving the plan we have to ask this question: If the existing wind turbine technology cannot be profitably implement with all of the federal incentives, is it really an economical source of power at this point that we want to further incentivize at the state level? I do not think so.

We pay a permanent price when we encourage the implementation of wind turbine complexes which may or may not in the long run prove superior to other competing technologies like solar and biomass. It is a price unique to wind energy because of the high impact of wind turbine complexes on large areas of land. We become wedded to the equipment that is installed for its estimated 20-year life span. Beyond that, when an area becomes developed with a series of 300-foot spinning towers it is

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forever changed. Such developments will encourage further industrialization of wild and unspoiled lands, because they change the character of the areas in which they are built so that those areas seem more suitable to unpopular industrial uses that previously would have been out of place. When the construction of these facilities begins in earnest—brought on by ill-planned tax incentives—a bell will have rung that cannot be unring. Our prairies will have given way.

Some may claim that repealing the exemption will drive these turbine complexes to other states that offer exemptions or other incentives. But we should not use tax dollars to engage in a bidding war to lure land-hogging job-poor development that ultimately consumes that which makes our state what it is. If other states want to throw scarce tax dollars into the wind, let them do so. If you pass Senate Bill 85, in Kansas our wind still will blow in those areas suited to such development if and when wind power truly becomes competitive. And equally importantly, our natural treasures in places where such developments are not appropriate will still be here as well.

Statement of Support
on Senate Bill 85
Senate Assessment & Taxation Committee
Ron Klataske
Executive Director, Audubon of Kansas

February 5, 2003

Mr. Chairmen and members of the Committee, we greatly appreciate the opportunity to testify on this bill. We want to address a compelling question. Is the industrial scale windpower industry in need of Kansas taxpayer subsidies in the form of property tax exemptions?

US taxpayers, through the DOE have spent hundreds of millions of dollars for research and development to benefit the wind industry, approximately \$40 million last year alone.

US taxpayers, through the DOE provide large sums in grants and contracts to the wind industry's lobbying and promotional organization the American Wind Energy Association.

US taxpayers supply wind energy producers with a production tax credit of 1.8 cents per kilowatt of production, guaranteed for ten years and indexed to inflation.

US taxpayers supply wind energy producers with an extraordinary tax write off, known as the "five-year double declining balance accelerated depreciation." Depending on the commencement date of operations, under this tax treatment the developers can depreciate more than half of their investment in slightly more than a year.

Florida Power and Light in it's first two years of operating the Montezuma wind farm will have received approximately \$20 million for the electricity it produced, \$12 million in production tax credits and \$18 million of income sheltered through accelerated depreciation. In return it has been reported that they will voluntarily donate \$200,000 a year to the various taxing units in Gray County. Does this sound like an industry in need of another subsidy from Kansas taxpayers?

The facility in Gray County is a model in terms of appropriate siting and we commend companies when they seek sites that are appropriate for industrial scale windpower developments. However, most of the recent proposals involve the Flint Hills. We are providing a poster featuring the natural beauty of this region and additional material outlining the detrimental impact of these projects on resources of local, state and national significance. It is certainly not appropriate to provide venture capitalists and companies with tax incentives when they are destroying precious ecological, cultural and scenic values important to the State of Kansas.

In a year when we face our worst financial crisis in a generation, it is time for wind energy producers, who already receive massive subsidies from US taxpayers, to share in the burden of other Kansas taxpayers and participate as corporate citizens.

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Testimony in support of Senate Bill No. 85

AN ACT concerning property taxation: eliminating wind energy resource property exemption: amending K.S.A. 2002 Supp. 78-201 and repealing the existing section.

Submitted by:

Gregory May

7499 SW Highway 77

Leon, Kansas 67074

Phone: 316-320-7160

I am Greg May I live near Leon, Kansas and I am here today to voice my support for Senate Bill No. 85. I appreciate the opportunity to speak with concerning this very important proposed change. I am currently a member of the USD 205 School Board on which I have served for the past six years. This is the Leon-Bluestem School District.

As you may know, recently two separate companies have petitioned the Butler County Commission to place wind energy facilities in our area. Both will be within our school district. These are difficult times for most local governmental agencies, and the Leon-Bluestem District is no exception. The mission of our district is to provide a high quality education, in a safe environment, while remaining fiscally responsible to our taxpayers.

And yet, when a large construction project with significant property tax value is proposed in our district, the taxation law exempts these companies from our tax base. In my view this is at least misguided public policy for the sake of prompting wind energy and in large part just bad government for the taxpaying patrons of our district.

Perhaps the following example will help. Last semester, a wind farm company spoke at our school board meeting. If the board would issue a letter of support for the wind farm company to the Butler County Commission we would be given \$50,000 dollars a year for the life of the project. If we did not issue the letter of support, it was my understanding, the offer would be rescinded. Sound public policy should not be purchased. If the proposal was good on its merits alone, then no offer was needed. If the proposal was not sound, no amount would be by my support. This sort of bartering for support would not be needed if we could tax these companies just like we would any other company which locates in our school district.

There is also a question of fairness to the local taxpayer. If these wind energy companies are economically viable, why not tax them as we do our other patrons? If the wind energy companies are not viable at this time, why subsidize these companies at all. Since, in my view, we are asking other patrons my school district and the rest of the state to underwrite viability of these companies. And we will be doing this against the backdrop of high local mill levys, possible reductions in teachers and staff, and the

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potential of reducing or eliminating important extracurricular activities. After all, we will remain financially responsible as the law requires.

In addition to the obvious loss of tax revenue for local governments under the current tax code, I believe there will have a long term negative impact our tax bases. The two proposals in the Leon-Bluestem would cover thousands of acres. One proposal alone covered some 6,000 acres. And in my opinion this would slow any future development in that area. In other words, potential tax base growth would be slowed. It is difficult to calculate the loss; I believe it will be there.

Our area media has been following state budget concerns very closely. In fact one television station contacted our district to see if we wanted to be involved in the "Adopt a School" program, a worthy idea. **It seems very odd to me**, that on one hand school districts had to reduce spending, last July our district received our state funding late due the budget crisis, school districts like ours are planning for possible funding cuts in the future, and then on the hand when a multi million dollar industry wants to locate in our district and we can not use our taxing authority in order to provide relief ~~to the~~ for our citizens, as well as for the entire county.

In conclusion, I support Senate Bill No. 85, because it is good public policy. The bill establishes same property tax that every other business, farm, ranch in our district must pay. If it is fair for the current patrons of our district, then it is fair for the wind energy industry.

Thank you for your consideration of my remarks.

Greg May



Kansas Farm Bureau

2627 KFB Plaza, Manhattan, Kansas 66503-8508 • 785.587.6000 • Fax 785.587.6914 • www.kfb.org
800 S.W. Jackson, Suite 817, Topeka, Kansas 66612 • 785.234.4535 • Fax 785.234.0278

PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT and TAXATION

**RE: SB 85 – Eliminating the property tax exemption for
wind generation facilities.**

**February 5, 2003
Topeka, Kansas**

**Presented by:
Leslie Kaufman, State Director
Governmental Relations**

Chairman Corbin and members of the Senate Assessment and Taxation Committee, thank you for this opportunity to present comments on behalf of Kansas Farm Bureau.

At their 84th Annual Meeting in the fall of 2002, our members enacted policy relating to the taxation of wind generation. Our members have expressed concern with wind generation facilities being totally exempted for all time from property tax and have adopted the following language:

We urge the legislature, governor and appropriate agencies to examine this source of renewable energy and develop a plan, including incentives, that include a graduated tax schedule as an incentive to encourage wind generation in Kansas. Revenues generated from these taxes would remain in the taxing area where the farm is sited.

Thank you for this opportunity to share this policy perspective.

Kansas Farm Bureau represents grassroots agriculture. Established in 1919, this non-profit advocacy organization supports farm families who earn their living in a changing industry.

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Property Tax For
Renewable Energy Generation Technologies
By
Dale Osborn
President
Distributed Generation Systems, Inc. (Disgen)
February 3, 2003

Renewable generation technologies such as wind and solar are defined as renewable because they do not consume, generally through burning, finite natural resources such as coal and natural gas. Further, because wind and solar energy sources are infinite (they will be recurring as long as the sun shines) and they produce no emissions, they are termed "sustainable" sources of energy. It would seem that most people would agree that deploying some amount of renewable and sustainable energy generation technologies would add value to the quality of the environment and conserve the finite resources for higher and better uses. While conservation of natural resources and environmental benefits are very important attributes of renewable energy, I believe that far greater benefits lie in the large scale capital investment required for wind projects in the troubled rural economies of the United States.

It is my view that, other than exploration and extraction of oil and natural gas, wind energy generation represents the greatest economic development opportunity for economies of rural America in my lifetime. The wind project cost is eighty to ninety percent capital equipment and construction. The construction is performed primarily by local subcontractors. The landowners receive significant annual payments. The local merchants will supply maintenance vehicles, supplies and tools. The maintenance employees will be hired locally. The state will receive sales taxes. **The county will receive property taxes while supplying almost no county services to the projects. This is fundamentally free money to the counties.** The question for both the county and the project is, "How much should the project pay in property taxes?" The answer currently varies widely across the nation, but the following, in my opinion, is a fair and reasonable approach to the answer.

Wind energy projects have been usually classified as personal property. This is due to the limited space occupied, usually less than four percent of the total land area, and the ability of the project owners to remove and relocate the equipment should the need arise. It should be noted that the need to relocate a project has rarely occurred. In most locations, personal property tax is calculated from an assessed value which is usually based on an estimate of installed capital cost. On a cost per kilowatt hour basis, wind energy will generally contain twice the capital cost of a coal or natural gas power plant. This is because wind energy does not require any fuel, ever. In most states, fuel and operations and maintenance costs are not subject to property tax. The following table is an illustrative example:

Percentage of Costs per Kilowatt Hour

<u>Cost Category</u>	<u>Fossil Fuel Plant</u>	<u>Wind Project</u>
Capital	40%	80%
Fuel	40%	0%
Operations and Maintenance	<u>20%</u>	<u>20%</u>
Total	100%	100%

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This clearly demonstrates that if personal property tax is based solely on capital investment, wind energy pays a penalty of 100% more in property tax than a fossil fuel plant. Given the environmental benefits of wind energy, applying the same assessment process to wind energy and fossil fuel plants is not equitable by any criteria. **The simple, quick and easy-to-implement policy which will approach parity is to adjust the assessment rate for wind projects to fifty percent (50%) of the usual assessment calculation.** It is important to recognize that this policy may not fully create parity due to the favorable tax treatment that most investor owned utilities enjoy. For example, in some states, when new utility power plants are placed in service, these plants enjoy special depreciation allowances that drastically reduce the property taxes paid. Such allowances should be, in my opinion, analyzed prior to establishing a state tax policy on wind. Of course, county taxing authorities should retain their ability to negotiate tax abatements and payments in lieu of taxes.

When considering rural economies and the use and payment for electric service, it is important to follow the cash. In many states, part of the electricity payment covers local service cost and the rest goes to pay for fuel, operations and maintenance, capital cost recovery and profit. Also in most states, the cost of the fuel leaves the state economy and never returns, in effect creating a negative trade balance for the rural economy. These trade imbalances are measured in hundreds of millions of dollars per year per state. **The public policy question is, "Would it be better to invest part of this trade imbalance in capital infrastructure within the state, rather than continuing the current practice?"** Amending current policy to motivate the deployment of these wind energy cash generators in rural counties will result in substantial economic activity. It is very conservative to assume, under the proposed property tax adjustment described above, that a rural county will recognize, over the life of the wind project, at least two dollars in direct and indirect benefits for every capital dollar spent on the project.

In the United States, there are numerous public policy initiatives that have successfully demonstrated the economic impact of wind energy on the rural economy. Three have been particularly successful:

1. Renewable Portfolio Standard
2. Property tax parity
3. Sales tax exemption.

I would be happy to discuss each of these as the topics arise in the public debate.

Please do not hesitate to contact me for any further information.

Dale Osborn
Phone: 303-674-2551
Email: Daleosb@msn.com

Greenwood County Commissioners

Edward Buckle, Stanley A. Skaer, Linda Snyder
311 N. Main
Eureka, Kansas 67045

Telephone 620-583-8121
Fax 620-583-8124

February 4, 2003

Senator David Corbin
State Capitol Room 143-N
300 SW 10th Avenue
Topeka, KS 66612

Dear Senator Corbin,

I am writing on two issues that I think are very important to Greenwood County and in which you have some interest and input.

First, I want to express the fact that the demand transfer budget cuts that have been proposed by Governor Sebelius are absolutely devastating to Greenwood County. The demand transfers include the LAVTR and City/County Revenue Sharing funds and amount to 3 mills or \$150,000.00 basically, in our General Fund budget. It is my feeling that these were illegally recommended, as Greenwood County government is, in my opinion, not a State agency and the cuts were made under this pretext. Also, the funding was demanded of us in our budgetary computations and was given to us by the legislature by statute. For the Governor to take 52% of the State's revenues or budget, which includes all of K-12 education off of the table and to force other entities to eat the rest of the budgetary miscalculations of the State, is not acceptable in my opinion. Also, you will note in the Governor's budget summary, that she plans to go ahead and make the demand transfers that were proposed from the City/County Highway Revenue Funds, but if I look at her budget in more detail, these items are omitted in 2003, 2004 and 2005. We have received one payment this January of around \$115,000 of this money; however, I think this was for last period, per se. You should be advised that if this money is omitted, it is 38% of the Greenwood County Road and Bridge Department's budget. I hope that you will consider difficulties in your consideration of the budget and the adoption thereof.

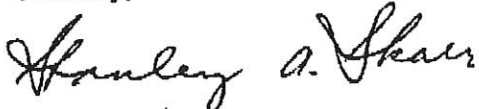
Secondly, I want to commend you for your support of putting the wind farms back on the tax rolls. I have been to numerous public hearings for the zoning in Butler County and have talked at length with some of the Butler County Commissioners and the three of us have talked at length about the problems that have arisen by the State's exemption of the nearly any type of business from our tax base. As your will recall, stripper wells less than five barrels, which include almost all of Greenwood County's oil, are now exempt, all livestock and farm machinery are exempt, store inventories are exempt, railroads are basically non-existent and to take the wind farm tax base from us is unconscionable in my opinion. One windmill at \$1,000,000 at 25% commercial assessment value would leave us \$250,000 valuation and the County's tax of nearly 60 mills would generate about \$15,000 per wind mill for us. Almost no other state gives a tax exemption to the wind farms in my research. The pittance that the wind farm in Gray

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County and some of these other projects generate in goodwill from the wind farm to the County does not even take care of basic road repairs in my opinion. The amount that they have pledged varies between \$100,000 and \$150,000 per year, per wind farm according to what I can read. You need to take a hard look at this and I know your committee is presently having hearings about placing these on the tax rolls. I know that you will get opposition from the wind farm utilities, but this is an extremely important issue to us for the above reasons. We certainly recognize the need for alternative energy resources and the development thereof, but to give these full tax exemption is unconscionable.

I was so sorry to hear of your mother's passing and my family's thoughts are certainly with you and your family.

Sincerely,



Stanley A. Skaer,
Greenwood County Commissioner

SAS/km

**Kansas State Senate Assessment & Taxation Committee
Testimony in Opposition of SB 85**

By

**James F. Kutey, Business Manager, FPL Energy
February 5, 2003**

Good morning, and thank you Chairman Corbin and members of the committee for allowing me to offer testimony in opposition of SB 85. My name is Jim Kutey and I am employed by FPL Energy. I am the Business Manager for the Gray County Wind Energy project in Montezuma and four other FPL Energy wind facilities around the country. FPL Energy is one of the nation's largest providers of clean electric generation and the largest developer of wind energy in the country.

In a February 2002 study, the US Public Interest Research Group named Kansas as the top State for wind resource potential. Kansas, however, currently lags behind other mid-Western States (notably Iowa and Minnesota) in the amount of wind energy it produces. And Kansas is a net importer of energy. Kansas *can* become a world leader in the wind energy revolution. While other states are looking for ways to reduce taxes and provide incentives to attract wind energy development to make it cost competitive with fossil fuel generation, SB 85 would increase the cost of doing business in Kansas. The full impact of this bill, I believe, would be to eliminate future wind development in Kansas - certainly by FPL Energy.

What would be the ultimate impact to Kansas if wind development were halted here? While I can't say for certain, I can share with you the realized economic impacts of a project like our 112 MW Gray County Wind Farm.

- The project realized capital expenditures in excess of \$100 million.
- The project, at its peak, employed 150 construction workers.
- The facility currently employs 10 full-time employees with an average wage in the \$50,000+ range. This provides significant contributions to the local economies from both payroll and the purchases of goods and services.
- The operation of the facility provides leasing income to the local landowners in excess of \$370,000 annually while allowing continued use of the land for agriculture and grazing. These payments escalate annually.
- In 2002, FPL Energy made a voluntary donation to Gray County in excess of \$300,000. This planned donation escalates annually over the next decade and ultimately lightens the tax burden that might otherwise go to the local residents.
- As our employees frequently report, there has been additional tourist interest in SW Kansas and that, too, translates into additional spending.

My analysis suggests that for a new wind project the size of Gray County, this proposed legislation would increase the cost of wholesale power by some 20-25%. Frankly, if these increased energy costs were to be realized, we couldn't sell the output power and the project would *not* be built. For FPL Energy, Kansas has been a great state in which to do business. However, SB 85 would adversely impact the economics of wind power generation in Kansas for all stakeholders. And quite frankly, it doesn't matter how much or how hard the wind blows if we can't sell the output.

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Further, SB 85 would seemingly send an inconsistent signal for economic development in Kansas. Having committed significant capital in 2001 to the Gray County Project, following a 1999 Kansas Statute granting property tax exemptions for renewable technologies, and then realizing just one year following commercial operation that the property tax exemptions were repealed, is troublesome to us at FPL Energy. I am sure that other firms would have a similar view.

We urge you to oppose SB 85 to promote wind energy development in helping Kansas achieve its potential.

Thank you.

**Senate Assessment and Taxation Committee
Senator Dave Corbin, Chairman
Wednesday, February 5, 2003
Room 519-S**

**Testimony on SB 85 Property Taxation: Eliminating Wind Energy
Resources Property Exemptions
By: Todd Heitschmidt
Wichita County Citizen and Taxpayer
Western State Bank, Leoti Banking Center, President**

Mr. Chairman and Committee members:

Thank you for the opportunity to address Senate Bill 85 which would eliminate wind energy resources property tax exemptions. I speak in opposition to any proposals which would eliminate the property tax exemptions on wind energy resources.

The economy of Wichita County is driven by and dependent upon crop and livestock production and transfer payments from federal commodity programs and social security payments. We are constantly searching for ways to diversify our economy which will assist in reducing the out-migration of our residents and reducing the dependence upon a traditional, agricultural economy. Wind energy is now a possibility in Wichita County.

I believe wind energy is a viable component to the future of Wichita County. Wichita County Economic Development, Inc. has pursued wind development in the county for approximately twenty months. As of today, the community can proudly announce plans for the first wind energy development project in Wichita County.

In a time where state and national economies are suffering, the idea of imposing or reimposing a tax only defeats economic development. By eliminating the property tax exemption on wind energy our competitive edge will be diminished. Colorado, as an example, holds the most potential for purchasing wind-generated power. Without the property tax exemption in place, wind companies now interested in locating projects in western Kansas would relocate their projects closer to the consumer in eastern Colorado. The property tax exemption provides Kansas with a competitive edge over Colorado with regards to wind energy development.

Before this bill, which now threatens Wichita County's wind project, was proposed, RES extended their hand to Wichita County by initiating a PILOT (payment in lieu of taxes) agreement of \$2,500 per megawatt in spite of the

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current exemption. That money will help support our hospital, our schools and other community programs.

A 100 megawatt project in Wichita County would provide an estimated 10 direct jobs and 1.15 indirect jobs for every direct job created according to the Texas State Comptroller. The projected average annual salary for the direct jobs created is \$50,000 per job. Approximately 150 construction jobs will be created with 20% or 30 jobs originating from the local and/or regional area according to the Electric Power Research Institute.

The rental income to land owners in our area will be a welcomed relief to the current slump in the agricultural economy. Approximately \$3,000 per megawatt income will be generated for landowners. This \$300,000 income per year to the area will help keep families on the farm and businesses open on main street.

The Kansas Natural Resource Council is arguing that "renewable energy resources [wind energy] are now economically viable just because there are a number of energy companies roaming the Flint Hills with siting contracts in hand as ample evidence of success and state/public support through tax credits is no longer necessary." I strongly disagree and believe that the abatement is now working to attract this renewable energy source. I encourage the State of Kansas to keep a level playing field with our competitors by keeping the abatement and letting local land owners decide what is best for their financial well-being and land development.

I believe the issue at hand is not the property tax exemption for wind energy, but the possibility of wind energy development in the Flint Hills. Do not penalize the rest of the state for the interests of a few in the Flint Hills area. Do not take this economic opportunity from the struggling rural agricultural areas of the state. Mr. Chairman and members of the Committee, I urge you to defeat Senate Bill 85.

Thank you, Mr. Chairman. I would be happy to answer any questions the Committee may have.

Comments to the
Kansas Senate Assessment and Taxation Committee

by
Kyle K. Wetzel
in Opposition to
SB 85

Property taxation; eliminating wind energy resources property exemption

February 5, 2003

Good Morning. I am Kyle Wetzel, President of K. Wetzel & Company, Inc., a Lawrence-based engineering consulting company which offers services in the wind energy and aviation industries. I want to clarify that my company is not a developer of wind farms and does not provide services to such developers, so I have no personal financial stake in the property tax exemption for wind farms in Kansas. I am here today because of my personal concern that Kansas needs to have progressive policies to promote the development of renewable energy in our state.

I oppose SB 85 for several reasons:

1. The property tax exemption for renewable energy generators is the only renewables promotion policy in Kansas. We have no renewable portfolio standard or similar mandate to create a market for renewable energy here.
2. We are competing for renewables development with nearby states – most notably Texas, New Mexico, Iowa, Minnesota, and Wisconsin – which have aggressive renewable energy mandates and are currently seeing hundreds of megawatts of wind power being developed in their states.
3. Without the property tax exemption in Kansas, there will be *no* utility-scale wind power development here. Unlike conventional generation, in which a significant fraction of the cost of energy derives from fuel costs, 90% of the cost of wind energy results from the up-front capital costs of the equipment. This means that property taxes disproportionately impact the economics of a wind farm compared to their impact on conventional generation.

Consider, for example, a typical 100 MW wind farm, similar to the FPL Energy project in Gray County, which would have an appraised value of maybe \$90 million. As industrial/commercial, this would be assessed property taxes at 25% of appraised value, or \$23 million. Using a rural mill levy of only 110, this project would owe over \$2.5 million a year in taxes. If assessed as utility, or if the mill levy is higher, the taxes could exceed \$3.5 to \$4 million. Consider that this same wind farm will probably generate about \$8 million to \$9 million per year in revenue. In other words, the property taxes would consume between 30% and 50% of the revenue. It is easy to see that such a tax burden would kill the economics of a project.

As I said above, repeal the tax exemption, and there will be no more wind farm development in Kansas.

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Supporters of this bill have told me that the tax exemption was only intended to remain in effect until wind was economically viable and that all of the development in Kansas proves that it is viable. But this is faulty reasoning. Wind is economically viable in Kansas in part because we have exempted it from property taxes.

4. The property tax exemption for wind farms is revenue neutral. If you eliminate the exemption, you will eliminate any more wind farms, so you won't be able to tax them anyway.
 5. Wind power is good economic development for rural communities. Some people like to point out that wind farms do not produce a large number of permanent jobs. That is true. However, wind farms do produce enormous economic benefit for communities in other ways. In testimony I provided to the Senate Utilities Committee two weeks ago, I walked through all the various economic benefits in detail. I'd be glad to provide a copy of that testimony to anyone here who would like it, but in the interest of brevity I will cut to the conclusion, which was that the same typical 100 MW wind farm will generate between \$35 and \$45 million for the local community over the twenty-year life of the project. I would add that that is all income which is being taxed.
 6. This bill has nothing to do with tax exemptions and everything to do with wind farms in the Flint Hills. If there were a philosophical objection to tax exemptions for renewables, then this bill would strike the entire provision. By capriciously singling out wind energy only, it strongly suggests that the objection is to wind power and not the tax exemption. The only opposition to wind farms in Kansas of which I am aware is that related to their development in the Flint Hills. As Chairman of our state's Renewable Energy Working Group, I have worked with others during the past eight months to find consensus on this controversial issue. But consensus is not what some people are seeking, and I feel that they have decided that eliminating this tax exemption would stop wind farms in the Flint Hills.
- It would certainly do that, at the cost of stopping all development in the state. I would suggest that if some people want to stop Flint Hills wind farms, they should introduce legislation to that effect, and leave the property tax exemption alone.

This bill is simply misguided.

Thank you.

**Testimony of Judie Withers, Wallace County resident and landowner
February 5, 2003 Senate bill #85**

In a recent Wyoming Tribune newspaper article, two Kansas cities were listed in the top ten windiest cities in the United States. Dodge City is number 2 and Goodland comes in at number 8. This is notable to Wallace county residents, as Sherman County is adjacent to Wallace County.

Our area has been severely hit by the current drought. In the northern portion of Wallace County, the land is primarily grassland for cattle. Our grass is quite damaged and many acres were under-grazed or not grazed at all last year. Many cattle producers are selling or reducing herds, and there are no jobs available to take them through this period, forcing many to sell out and relocate. There are many side industries, which will be affected as well. If wind energy is developed, there could be many temporary jobs available during construction period and several permanent jobs in the future. These jobs would be a survival kit for many local residents during the re-growth of our pastures, which could be several years.

A developer is known to have chosen Kansas over Colorado in which to locate because of our exemption of property tax for wind energy development. On Feb. 1, 2003, an article in the Rocky Mountain News states that Colorado legislature is taking steps to develop a renewable energy portfolio. We must be progressive and competitive in our quest for development of wind farms in Kansas. Northwestern Kansas would welcome this industry which could help us become solvent again.

Last February Kansas was moved from 3rd to the number one highest wind potential in the United States. Other states are developing wind farms fast and furiously. While Kansas is being courted by developers and has a real chance to acquire a prosperous new industry, we are debating an old issue. Legislature has already exempt companies and developers from siting requirements and property taxes. Changing the rules in the middle of the game will drive the developers away. Kansas must be a visionary looking to the future and acting upon those visions.

Northwestern Kansas has really good potential and an opportunity to be involved with this new industry. Please look at this issue and keep the doors open to Kansas wind energy development.

Judie Withers
Wallace County
HC 1 Box 485
Sharon Springs, KS 67758

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In the Print Edition...

Today:

United's woes may impact local airline - News
Pine Bluffs-Albin battle in hoops doubleheader - Sports

Tomorrow:

Court needs to end local adoption nightmare - Opinion
East, Central girls hoops teams open at home - Sports

Coming Up:

Local woman remembers Pearl Harbor - PlainsLife
Could you afford to run for Congress? - News

Today's Weather

Cheyenne, WY
46°F
Clear
at 11:53 AM



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Road Conditions



Story Archive

Outdoors Story Published on 3/1/2002

Cheyenne fifth windiest city in United States

By Amber Travskey
Published in the Wyoming Tribune-Eagle

CHEYENNE - The windiest city in the U.S. is not Chicago. In fact, the "Windy City" doesn't even make the top ten. Based on annual averages, the top honor goes to Blue Hill, Massachusetts.

John Griffith, warning coordination meteorologist at the National Weather Service in Cheyenne, said Blue Hill probably doesn't get the extreme winds we see in Cheyenne. "On a 24-hour basis, all year long, they have the most wind," Griffith said. "They don't get the gusty days we see here but the wind never stops, due primarily to the sea breezes."

Cheyenne ties with Casper as the fifth windiest city in the nation. Winds average 12.9 mph in both cities - that's the average speed 24 hours a day for a year. "We have lots of calm days," Griffith said. "That averages out with the gales we've been seeing recently."

The Top 10 windiest cities in the U.S. and their average wind speeds are:

1. Blue Hill, Massachusetts (winds average 15.4 mph)
2. Dodge City, Kansas (14.0 mph)
3. Amarillo, Texas (13.5 mph)
4. Rochester, Minnesota (13.1 mph)
5. Cheyenne, Wyoming (12.9 mph)
5. Casper, Wyoming (12.9 mph)
7. Great Falls, Montana (12.7 mph)
- 8. Goodland, Kansas (12.6 mph)
9. Boston, Massachusetts (12.5 mph)
10. Lubbock, Texas (12.4 mph)



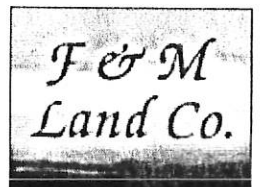
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Testimony in Opposition to SB 85
Jennifer States
Managing Director
J.W. Prairie Wind Power LLC
3/5/03

Hello, my name is Jennifer States. I am the MD of JW PWP. Prairie Wind Power is a Kansas based LLC, with its headquarters in Lawrence. We are currently working to develop wind projects in Kansas. Due to the sensitive nature of contract negotiations, I cannot go into the details of our current projects. However, we are very concerned about the possible repeal of the property tax exemption, and I am here today to testify in opposition to this bill.

There are many rural economic benefits of Wind Energy Development to Kansas counties. Kansas's rural communities, like many rural areas in our nation, are in need of new development opportunities to improve the local economy. Wind energy is one such opportunity. New jobs and economic activity are created directly from building, operating, and maintaining wind facilities, as well as indirectly from local business supplying goods and services to support those activities. Continuing the commitment to develop wind power in Kansas through policy incentives will help spur development and expansion of wind energy related businesses. Wind power can be an important source of rural economic development.

- Counties currently receive payments in lieu of taxes from the wind developers. Florida Power and Light Energy established the first large scale wind farm in Gray County Kansas. They established the precedent for other developers to follow when it comes to payments in lieu of taxes. They are paying \$305,000 a year to Gray County to use at their discretion. Future developments are utilizing this standard as a model for county payments.
- Wind can serve as a new crop for farmers. Wind energy can be viewed as a value-added export product. Landowners can receive lease payments for the siting of turbines on their land and royalty payments for the wind. An analysis by the Union of Concerned Scientists found that farmers could increase the return on their land by 30 to 100 percent from leasing part of it for wind turbines while continuing to farm. Another study found that adding 10,000 MW of wind capacity nationally would generate \$17 million per year in land-use easement payments to the owners of the land on which the windfarms are situated, and \$89 million per year from maintenance and operations. Only ¼ acre is used for each turbine, and the farmer can plow or ranch right up to the base of the turbine. This income will then circulate in the local rural economy.
- For employment, wind farms provide at least one full year of construction and engineering jobs. The ongoing operation and maintenance jobs are be high skill, long-term jobs that draw from local labor sources. According to a study done by the Union of Concerned Scientists, developing 1,000 MW of wind power in Nebraska could provide 160 long-term jobs operating and maintaining wind projects. If 10% of Nebraska's electricity was generated from wind by 2012, it would create 360 more jobs and \$8 million more in income than coal and gas development.

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- Wind can provide additional money for the local community. The multiplier effect of new money will also be felt from the income of the new and continued employees and the landowner's payments. For the Gray County wind farm, several businesses have benefited directly from the wind farm. The local welding, hardware, lumber and convenience stores; as well as the rental, hotel, and restaurant industries; have all experienced increased business due to the development of the wind farm. According to Wayne Markel, owner of Montezuma Lumber and Hardware, "I think this is a tremendous boost to the whole community, not only from the construction phase, but the lease revenue will provide cash in the sagging farm economy." He credits wind farm construction with about 10 percent of his monthly sales during the peak construction months. (The Legend, "Montezuma's Windfall", Shirley Buller, Winter 2002)
- Wind energy provides a new industry that can diversify the rural economy and increase community opportunities. During the construction phase of the Gray County wind farm, Montezuma Welding and Manufacturing Inc. was one of the many businesses that was able to provide supplies and services. In Nebraska, the wind developer needed guide wires for the two of the turbines built in Springview. The product generated by Daniel's Manufacturing in Ainsworth, NE earned them a contract with to develop more cable for turbines throughout the US.
- There is also the potential of tourism development due to the turbines. There is currently a great deal of interest and support for wind energy throughout the US, and tourists come to view the turbines and find out more about the wind energy resource. There is already evidence of the strong tourism interest in wind energy in Kansas. At the Wind Energy Conference held in Lawrence this fall, Andy Stanton from the Dodge City Tourism Office reported that of the 9,000 visitors to sign in at the nearby museum (Stauth), 1,300 came to see the Montezuma wind farm.
- Wind is a new energy source that is homegrown and can never be depleted. It is renewable, produces no pollutants, and is a welcome addition to rural communities. Wind energy can improve the economic competitiveness of a region by enabling it to avoid additional costly environmental controls on other industries. Wind development can diversify the energy mix of Kansas, and the nation, helping to stabilize long-term energy prices. Supplementing our nation's energy mix with a local energy source can help alleviate our country's reliance on fossil fuels.

Developing our nation's untapped renewable resources will create thousands of new, high wage jobs and stimulate billions of investment dollars especially in rural communities. It will also diversify and enhance the reliability of our energy supply, reduce our dependence on imported fuels, and protect the environment.

To achieve these objectives, incentives need to be in place to ensure the competitiveness of wind with other sources of energy. The property tax exemption for wind farms is one such incentive. There is a great deal of development interest currently in the state of Kansas, due in large part to

this tax exemption. There are several reasons why the repeal of the property tax exemption will hurt the Kansas economy, instead of help it.

- Increasing taxes on wind energy electric generation equipment increases the cost of generating electricity. The result is higher electricity prices for consumers and industry. Because the market rate of return for wind energy is so small, any increase in cost from additional taxes will have to be passed on directly to the consumer. According to our calculations, the repeal of the property tax exemption would increase rate prices between 25% and 30 %, raising prices to \$28 to \$35 per MWh.
- While wind energy is contuning to become more competitive with other energy resources, the rate of return required to find investment and make these projects successful is still very tight. The repeal of the property tax exemption would increase rates to a level that utilities and customers are not willing to pay, making further wind development in this state very difficult.
- Revenue from new wind energy projects that would be received by ranchers and counties will be lost as new project finance capital dries up. It will not be economic to build and operate new wind energy projects in Kansas without raising electricity prices.
- The state is losing tax revenue and economic cash flow because it is no longer an energy exporter, but is an energy importer. Reducing proposed wind energy output makes the Kansas revenue problem larger, in the short term and long term.
- Kansas, like many other states, is in a recessionary economy where it needs additional revenue sources. In a recession, you want productive companies to be attracted to the state to increase both short term and long-term state revenue. The property tax exemption is succeeding in drawing wind development companies to this state, as evidenced by the large number of wind development companies active in Kansas right now. Passage of this bill is analogous to butchering the cow that is giving you years of milk, for a months worth of beef.

The repeal of the property tax exemption for wind farms could result in the loss of future projects in Kansas, and the economic benefits that would be enjoyed by our rural communities. The economic implications of losing wind energy development in KS are threefold, state revenue will decrease, revenue to landowners and the county will be lost, and the need for energy imports will continue to grow; sending valuable jobs and revenue to surrounding states. The wind energy business is growing in Kansas. State policy needs to remain in place that will nurture this growth so that the state can continue to benefit from it.

Senate Assessment and Taxation Committee

Testimony in Opposition of SB No. 85

By

Mike Apprill, Vice President – Resource Management Aquila, Inc.

Mr. Chairman and members of the Committee:

My name is Mike Apprill and I am Vice President of Resource Management for the Aquila Networks in Kansas, Colorado and Missouri. We operate the WestPlains Energy electric utility division with 70,000 electric customers in central and western Kansas serving both retail and wholesale power. I am here today in opposition to SB 85.

The Bill provides for the elimination of the exemptions from property tax for wind energy resources. Aquila has a long-term purchase power contract with the owner, Gray County Wind Energy from the first and only large wind farm project in Kansas. The Gray County Wind Farm went into commercial operation in November 2001. It is rated over 100MWs and consists of 170 turbines located close to Montezuma, Kansas.

Our concerns with the bill are:

1. As written, SB 85 causes property taxes to be assessed to Gray County Wind Energy and in turn, because of language in our purchase power agreement, they will pass on over half the cost to us. We estimate the impact to our utility operations, and our retail customers, to be in excess of \$1.5 million dollars per year. Aquila does not believe it is appropriate or reasonable for this added cost to be imposed on our customers and us more than two years after our contract was signed. Aquila requests that if the bill proceeds out of committee, that the language should be changed to exempt projects that are in commercial operation prior to January 1, 2003.
2. Secondly, Aquila believes that SB 85 will significantly discourage the development of new wind projects in Kansas. Kansas has enough wind to supply the needs of the state and a unique opportunity to be a significant exporter of wind energy. Given that wind is the most economical renewable resource technology available today this bill will likely eliminate that opportunity.

Thank you, Mr. Chairman, for the opportunity to appear before you today. I would be glad to try and answer any questions you may have.

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Testimony before the Senate Assessment and Taxation Committee
by
Bill Griffith
Kansas Chapter of the Sierra Club

Thank you Mr. Chairman and members of the committee for the opportunity to speak in opposition to SB 85. This legislation which purports to assist counties in receiving property tax from wind farms will actually guarantee that they receive no money at all.

The reason for this is simple: Wind developers will not invest in Kansas if they have to pay full property tax. Why would they? Kansas does not need large amounts of new electricity. The places that desire more energy are in Colorado, Missouri, Texas, and Illinois. The developers can simply go to a state that is promoting wind energy-not killing it. They will develop in those states and then sell to markets that need the power.

Take a glance at what is going on around us. South Dakota's governor has just announced plans for tax incentives to assist wind development there. Iowa is planning on adding a "Iowa Values Fund" with a goal to commit 500 million dollars towards renewable energy development. They have a goal of 1000 MW from renewables in the next few years. New Mexico has an aggressive renewables program and Texas has the largest renewable portfolio standard up to this point in the United States and is headed towards 2000 MW of wind in the next decade. These states will simply absorb the development that would have come to our state and reap the economic and environmental benefits.

Would there be a windfarm in Gray County if SB 85 was law? The answer is no. It simply would not have made economic sense. The \$305,000.00 Gray County gets annually would have not occurred, nor would the landowners be receiving annual checks of \$2,000 for the next twenty years for each turbine on their property.

Wind developers will make "in lieu of" payments to counties where wind development would occur. These will be important infusions of cash flow for many cash-strapped counties. The payments to landowners will be an additional boon for the local economy. If this bill passes, there will be none of this. The companies looking to invest in wind will simply move across the borders into the waiting arms of our neighbors.

In conclusion, we urge you to not pass SB 85 because it will effectively kill wind development in Kansas.
Thank you.

Joann Hablutzel

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**Testimony of RES North America, LLC Regarding Senate Bill 85
Before the Senate Tax Committee**

By Thomas R. Fair, Development Director
February 5, 2003

Thank you for the opportunity to present the views of RES North America, LLC concerning proposed Senate Bill 85.

RES North America, LLC is a member of the Renewable Energy Systems (RES) group of companies, one of the world's leading wind energy developers. RES has offices in 9 countries and over several thousand MW of wind power capacity on its books at various stages of development. In 2001, RES completed construction of what was then the world's largest wind farm at King Mountain, Texas (280MW) and has to date built over 540MW of wind power capacity in the USA. This represents nearly \$600 million in new investments made, more often than not, in rural counties with only limited opportunities for economic development. RES possesses all the capabilities required to develop, construct and operate successful wind farm projects.

First, a little background on how we became interested in doing business in Kansas.

In late 2001, after having been contacted by Wichita County Economic Development (hereafter "WCED"), and having researched Kansas' tremendous untapped potential for wind energy development, RES-NA decided to focus our investigation on whether or not to pursue the development of wind farms in western Kansas.

In addition to looking at Kansas' wind resource potential, following-up on the excellent information provided by WCED our research included, most notably, investigation of the tax laws of Kansas, which confirmed that Kansas law (K.S.A. 79-201) provides an exemption from property taxes for "renewable energy resources or technologies", including of course wind resources or technologies. Our research also included a search for suitable sites. These three factors: 1) wind resource potential, 2) state law (especially tax policy), and 3) the availability of suitable sites, are our primary criteria in determining whether or not we invest in a particular state. Many states either have adopted, or are in the process of adopting various stimuli for the development of renewable energy resources for reasons that are well known, and which I will not belabor. Some of the reasons most often mentioned include: 1) renewables are not imported; they are indigenous energy source, 2) they diversify our energy base and thereby reduce the danger of over-reliance on any single energy source, such as natural gas to generate electricity, and 3) they are clean and renewable.

Relying on the property tax exemption afforded under Kansas law to wind energy sources, over the past two years RES-NA has spent a considerable amount of effort and money to develop wind energy sites and projects in western Kansas. We are delighted that the combined efforts of RES-NA, Sunflower Electric, and Wichita County have culminated in the Sunflower Electric Wind Farm announced yesterday. The economics of

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this wind facility obviously contemplate the benefits of the property tax exemption provided in K.S.A. 79-201. We look forward to continuing to invest in and grow our business in Kansas. On a personal level, working over the past two years with landowners, public officials, community leaders and utility executives I have met has been one of the most rewarding experiences of my 30-year career in the energy business.

However, SB 85 is a very dark cloud now hanging over us, which can spoil these plans. At worst, it could cause us to abandon all development efforts in Kansas, and write-off our investments here.

I will now give the Committee six (6) reasons why we believe this bill should be withdrawn or rejected:

1. It sends a very bad signal to any company considering investment in Kansas.
Unstable tax laws, and other wind energy incentives doom business investment planning, because of the uncertainty and the very unfavorable business assumptions that must be built into pro-forma financial analyses as a result of that uncertainty.
2. Singling-out wind for removal from the list of renewable energy technologies that receive a tax exemption is nonsensical and discriminatory.
It is obvious on its face that wind belongs on any list of renewable energy technologies and resources.
3. It is totally inappropriate to use tax law to remedy a perceived problem of project siting.
The question about siting of projects in the Flint Hills has somehow led to a effort that would snuff-out Kansas' fledgling multi-million dollar wind industry, and the economic development it would bring to rural communities wishing to host such projects. Local jurisdictions are best qualified to deal with objections to siting of wind facilities, and to appropriately balance the interests involved.
4. Because of the economic losses it would trigger, such a change is unfair to those who have invested money in projects relying on the current law.
RES-NA and others have invested a great deal of money relying upon economic analyses that would be invalidated by this bill. Because wind farms are so capital-intensive (vs. more fuel-intensive technologies) they are especially sensitive to property taxes. We had proceeded with the reasonable expectation that the tax exemption would be available for a project to be built this year, but now, faced with the uncertainty created by SB 85, we must re-evaluate the project.

5. In spite of the exemption most wind project developers are entering into payment in lieu of taxes agreements with local jurisdictions.

We have entered into such an agreement with Wichita County, and believe it is reasonable to expect others will do so also.

6. A greater tax burden on wind farms only raises the cost of the energy they produce.

If a wind project is completed despite the loss of the exemption, the net effect would be to simply move the money around within Kansas, reallocating between electric customers and local taxpayers, rather than bringing new money into the State. Export power sales would be very limited inasmuch as the prices that would have to be charged for such power would be considerably higher and uncompetitive. As noted above, new investment in Kansas wind industry would be stifled, so the net effect is to reduce inflow of capital, and job creation.

It is painfully obvious that SB 85 is designed to curtail development of a wind industry in Kansas at a point in time when it has barely begun to take root and produce significant benefits to the State's rural economy. Such a result cannot be good for the citizens of Kansas. We join with Wichita County Economic Development, Sunflower Electric and our other colleagues here today in strongly urging this Committee to reject SB 85.

Testimony of John E. Stover, interested citizen and landowner

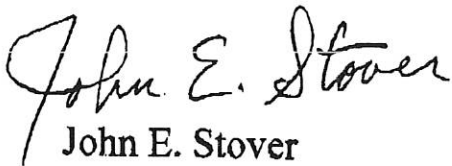
My remarks are in regard to the bill to remove tax abatements or exemptions offered to wind farms in Kansas. We in the western half of Kansas don't have much going for us at this time due to severe drought in the last few years. We have an opportunity to have a new industry in our area to help us keep from losing more of our population to other areas to try to make a living. If this tax abatement is removed, the wind energy companies will go elsewhere to build their wind farms. Abatements are given many times to attract new industry to help our state grow. Wind farms should be no exception. This bill would not raise additional revenue, but just stop development. We just cannot lose this opportunity to have a new industry in Western Kansas.

I served as a Commissioner in Jewell County in the 1990's and our county is pursuing wind energy development at this time. I also have land holdings in Wallace County, which could be an ideal place for a wind farm.

I understand there are some places in Kansas where they do not want wind farms and are trying to keep them out of their area, but we in Western Kansas will welcome any developers who want to be in our areas.

Kansas is the number one state for wind energy development potential. Wind energy is clean with no emissions into the atmosphere and if developed to its full potential, wind energy could provide a good percentage of our energy needs, and reduce emissions. This is an invaluable asset.

The only result of removing this tax abatement or exemption is to discourage development in Kansas, and this we do not need.



John E. Stover
Resident of Jewell County
RR 1 Box 145B

Glen Elder, KS 67446

TOTAL P.02

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Testimony To

The Kansas Legislature
Committee on Assessment and Taxation

Concerning

Senate Bill 85

A legislative bill to remove wind energy from a list of renewable energy technologies currently exempted from property tax.

By

Kirk G. Lowell
Executive Director
CloudCorp

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Concordia, KS 66901-0456
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February 5, 2003

*Senate Assessment & Taxation
2-5-03
Attachment 22*

1. My name is Kirk Lowell, I serve as Executive Director of Cloud County Development Corporation (CloudCorp). I am a 5th generation native to both Kansas and Cloud County. My wife of 24 years is President of UMB Bank of Concordia, Kansas. Our children: Jennifer is a senior at Kansas State University majoring in biology, Heather is a freshman at Cloud County Community College majoring in business and Dirk, our youngest, is in 7th Grade at Concordia High School majoring in more trouble than the girls and continually asking why the Dallas Cowboys don't have a college for him to attend.
2. CloudCorp is a private sector, countywide, economic development organization founded in 1956. CloudCorp annually contracts, fee for service, with the City of Concordia and Cloud County to provide economic development services to the citizens, businesses and local governments of Cloud County, Kansas. CloudCorp's public/private partnership is funded 1/3 City of Concordia, 1/3 Cloud County and 1/3 private sector donations. For further information concerning who we are the documents titled, *CloudCorp Profile* and *CloudCorp 2003 Board of Directors* are attached for your reference.
3. CloudCorp currently understands that **Senate Bill 85** proposes to remove wind energy from a list of renewable energy technologies currently exempted from property tax. CloudCorp respectfully stands in **opposition** to this proposal for very valid economic reasons.
4. State of Kansas legislated and imposed property tax exemption on wind energy projects has lured many wind energy developers to Kansas. Because of the developer reaction to the State incentive, CloudCorp has been working to develop a wind energy project in Cloud County since July 24, 2000.
5. A wind energy developer was lured to Cloud County, Kansas because, among other reasons, Kansas is ranked number 3 in the United States for wind energy potential, proximity to ample electrical transmission infrastructure, and the currently in place, statewide property tax exemption for wind energy projects.

6. The Cloud County wind energy developer installed a wind-monitoring tower in Cloud County and data collection began on October 18, 2001. Wind data collection and related analysis for the proposed Cloud County wind energy project cost the developer approximately \$40,000 to date.
7. A study of the electrical transmission infrastructure in Cloud County and North Central Kansas proved that 230 megawatts of capacity is currently available to transport electrical energy into or out of Cloud County. CloudCorp is informed by wind energy developers that at least 100 megawatts of transmission capacity is required for a modern wind energy farm.
8. Local citizens, businesses, farmers, ranchers, local government, etc. have to date been very positive about the location of a wind energy farm somewhere in Cloud County. While the developer's name has been kept confidential by CloudCorp in Cloud County, the general wind energy farm project has been very much talked about in public meetings, local media, coffee shops, etc.
9. After 15 months of wind data analysis in Cloud County, the developer e-mailed CloudCorp on January 31, 2003 and stated, *"This (Cloud County) has proved to be a good site for wind potential."* The wind energy developer also informed CloudCorp, *"...Of course, we are still looking to see if we can find a buyer for energy from the site. This is essential to motivate serious additional development work."*
10. It is CloudCorp's opinion that the current financial state of the United States energy industry is hampering the ability of wind energy developers to currently secure long-term energy contracts with electrical energy providers thus greatly slowing the wind energy development process in Cloud County.
11. Repeal of wind energy property exemption in Kansas will more than likely kill Cloud County's current opportunity for wind energy development.

12. Cloud County continues to experience economic hardship because of the drought impact on the agricultural sector. Some local citizens say Cloud County has frogs three years old that don't know how to swim!
13. CloudCorp, local community and the wind energy developer have spent much time, money and human energy on a **State led initiative** to bring a wind energy farm to fruition in Cloud County, Kansas.
14. The development of wind energy technology is not without its current technological quirks that will be worked out over time as wind energy farms are developed and implemented. For instance, the coordination of the up and down energy output cycles with fossil fueled power plants causes great hesitation by those who operate conventional power plants and/or purchase electrical energy contracts.
15. It is CloudCorp's opinion that the Kansas property tax exemption for wind energy projects helps to overcome this use of wind energy technology hesitation and encourages wind energy developers and electric utilities to consider and implement wind energy technology TODAY not tomorrow.
16. Respectfully, the outcome of an approved Senate Bill 85 will provide the potential for unnecessary economic hardship to the citizens of Cloud County therefore CloudCorp's **firm opposition** to the bill.

17. CloudCorp believes that there is a very important law of successful economic development that is as real and consistent as the law of gravity. Just like gravity, the law of economic development is in full force and will impact an individual citizen and their community whether they understand the law or not.

The law of successful economic development is:

*"If your community does not take good care of its **existing** businesses and **new** business prospects, some other community will."*

The Kansas Legislature should consider substituting the word "**state**" for "**community**" in the above law before making very serious decisions during this very difficult legislative session.

18. Questions, Comments and/or Concerns

19. ***Thank You!*** for the opportunity and consideration of our testimony today about this very serious matter concerning our community. After all... *"It's about our future."*

CloudCorp

Cloud County Development Corporation
Established in 1956



"It's About Our Future"

CloudCorp Profile

Cloud County Development Corporation

CloudCorp, formerly Concordia Development Company, Inc. (CDC), was organized January 3, 1956 as a Kansas for-profit corporation to promote, foster and encourage sound business, industrial development and community expansion in the City of Concordia and vicinity. During the original stock offering, potential investors were informed that their stock purchase would be a donation to the corporation and related community economic development efforts. Corporate profits or dividends would not be paid. However, for their capital investment in the corporation, stockholders would have input concerning the policy and direction of community economic development efforts. To this day, profits or dividends have never been paid to the founding stockholders and corporation revenue has been invested back into the community for fostering economic development.

The original mission of CDC was to cooperate with existing businesses and industries and to encourage other businesses and industries to locate in the Concordia area. CDC was also charged with "providing, arranging for, or making available" the infrastructure, such as transportation facilities, housing facilities, premises or other accommodations necessary to support existing or new business and industry. It was also the undertaking of CDC to provide assistance in arranging services like architects, engineers, accountants, legal and financial to help businesses survive, expand or relocate to this area. While many things have changed since 1956, the mission and focus of the organization remains very much the same today.

The organization's mission statement evolved from, "To promote, encourage and support the continued holistic economic development of Cloud County, Kansas" to the one page mission statement attached in this profile. This current and more defined mission of facilitating, coordinating and communicating economic and community growth opportunities is carried out on the proven foundation of the 1956 CDC corporate charter.

In March 1992 the newly completed *Strategic Plan for Cloud and Ottawa Counties* identified the need for a countywide economic development organization. In 1993, the CDC made the first amendment to its corporate charter, reorganized and adopted a broader focus by including all of Cloud County. It was at that time the organization was renamed Cloud County Development Corporation, doing business as "CloudCorp." The Board of Directors was expanded from 5 to 25 members.

The new CloudCorp Board of Directors includes representatives from each of the incorporated communities located in Cloud County and elected officials of local governments in Cloud County. Twelve (12) of the 25 Director seats are designated as "Cloud County At Large." These Directors are individuals involved in any business, industry, community organization or who are retired. However, the remaining 13 Director seats are specifically designated as follows:

- Cloud County Banking Institution (2 seats)
- USD – 333 Board Member
- Concordia City Commissioner
- Cloud County Commissioner
- Cloud County Community College Trustee
- Local Media
- Concordia Chamber of Commerce
- City of Glasco
- City of Miltonvale
- City of Aurora
- City of Clyde
- City of Jamestown

Directors serve three-year terms. New Directors or existing Directors choosing to serve another term are considered and approved by the CloudCorp Stockholders at the Annual Business Meeting on the last Tuesday in January.

The late Dave E. Retter, City Attorney, City of Concordia, was the first president of the newly formed CloudCorp and was the key leader in formulating the new corporate charter amendments and restatement of the corporate bylaws under which CloudCorp operates today. CloudCorp presidents are first asked to serve a three-year term as vice president of the organization and then an additional three years as president. This helps to maintain a leadership that is well informed and provides much needed continuity and stability for the prospects that CloudCorp engages with and serves.

The full Board of Directors meets every two months in a private meeting at Cloud County Community College to formulate and consider general economic development policy in Cloud County. The Executive Committee meets monthly in order to help oversee the day-to-day operations of CloudCorp and give general direction to the executive director. The Executive Committee also meets "on call" to consider the proposed needs of economic development prospects. The Finance Committee meets every two months to review and give direction to CloudCorp's financial operations and fund raising activities. The Finance Committee also meets "on call" in order to review loan applications to the Concordia Revolving Loan Fund and make recommendations to the City of Concordia Commission concerning said applications.

When CloudCorp reorganized, Kirk G. Lowell was hired in August of 1993 as a full-time executive director to manage the day-to-day operations of providing economic and community development services in Cloud County. Lowell remains in this position today. In 1999, CloudCorp completed a move from Lowell's home office to a more public office facility located at 606 Washington Street in Concordia. Donna Barrett was hired in October 1999 as CloudCorp's part-time administrative assistant.

Funding for the organization is a joint effort of private and public funds. This private/public partnership for funding annual operating expenses of approximately \$100,000 continues today with approximately one third of the annual budget provided for from private donations. CloudCorp engages in annual funding contacts with local government for providing economic development services to the City of Concordia and Cloud County. The City and County support CloudCorp's annual budget by each funding one third of the remaining revenue needed. The future goal is for the three funding partners, private, City and County, to each provide CloudCorp annual budget funding in equal one-third shares.

CloudCorp also owns the Concordia Industrial Park located on the east edge of Concordia, which currently contains approximately 24 acres of lots available for commercial and industrial businesses. It is currently designed with 15 lots ranging in size from .92 acres to 2.74 acres. The Industrial Park is easily accessible and has access to railroad service.

CloudCorp maintains that communities of Cloud County are moving into the 21st Century with a strong indication of a major economic expansion in the forefront. Citizens of Cloud County must think through, clearly understand and support what their community must do to attract and bring to life economic opportunities throughout Cloud County. As citizens think about the future of economic development in Cloud County, there is a very important law of successful economic development that is as real and consistent as the law of gravity. Just like gravity, the law of economic development is in full force and will impact an individual citizen and their community whether they understand the law or not. The law of successful economic development is:

*"If your community does not take good care of its **existing** businesses and **new** business prospects, some other community will."*

CloudCorp

2003 Board of Directors

Director Name	Position #	Type of Seat
Dana Brewer	1	Cloud County At Large
Gordon Morrison	2	Cloud County At Large
Bill Fellows	3	Cloud County At Large
Jim Coash	4	Cloud County At Large
Joe Jindra	5	Cloud County At Large
Phil Gilliland	6	Cloud County Banking Institution
Larry Henry	7	Cloud County Banking Institution
Marsha Wentz	8	USD - 333 Board Member
Joe Strecker	9	Concordia City Commissioner
Roger Nelson	10	Cloud County Commissioner
Lowell Thoman	11	Cloud County Community College Trustee
Jay Lowell	12	Local Media
Shirley Gropp	13	Concordia Chamber of Commerce
Robert Steimel	14	Cloud County At Large
Barbara Henry	15	Cloud County At Large
Eric Johnson	16	Cloud County At Large
Noel Hanson	17	Cloud County At Large
Joe Breault	18	Cloud County At Large
Ben Budreau	19	Cloud County At Large
Randy Graver	20	Cloud County At Large
Marilyn Harwood	21	City of Glasco
Jon Puckett	22	City of Miltonvale
Johnny Adams	23	City of Aurora
Mary Nicholas	24	City of Clyde
Judy Hill	25	City of Jamestown
N.A.	26	Ex-Officio Past President

Officers

President	Vice President	Secretary	Treasurer
Eric Johnson	Joe Breault	Barbara J. Henry	Robert Steimel

Executive Committee Members

Eric Johnson, Chairman		
Joe Breault	Barbara J. Henry	Robert Steimel
Phil Gilliland	Noel Hanson	Judy Hill

Finance Committee Members

Robert Steimel, Chairman		
Larry Henry	Kevin Stover	Dan Farha

January 25, 2003

22-9

County Clerk
Bonnie Swartz
620-855-3618

GRAY COUNTY

Box 487
Cimarron, Kansas 67835-0487

County Commissioners
1st Dist: Mark E. Busch
2nd Dist: W. Wiley McFarland
3rd Dist: Bill Good

CIMARRON CROSSING
OLD SANTA FE TRAIL

To be presented Wednesday, February 5, 2003 to the Senate Assessment and Taxation Committee

Chairman Corbin and members of the Senate Assessment and Taxation Committee:

My name is Wiley McFarland from Cimarron, Gray County Kansas.

I am in opposition to the proposed change to SB 85, which would eliminate wind energy resources property tax exemption.

I am a commissioner in Gray County, Kansas and we are blessed with having an operating wind farm in our county.

I was in on the development of the wind farm project and one of the reasons Florida Power chose to locate in Gray County was that the State of Kansas had a law, KSA2002 Supp 79-201, that exempted renewable energy resources from ad valorem taxes. The power company has based their cost of producing power in accordance with the present law. To assess them property tax at 33% of value at this time would be very detrimental to them.

We all play by the rules where you in the legislature make the rules - we have to play by them. But when you change the rules in the middle of the game it is very unfair.

Florida Power has indicated interest in perhaps expanding their project in Gray County. Any expansion would be welcomed as our present wind farm has been a great asset to our county.

I understand other companies are looking to put wind farms in Kansas. We keep saying we want economic development to take place in Kansas. We also want to conserve our resources and wind power certainly is a renewable resource. We're not mining the wind like we mine coal, oil, gas and water.

I think anything we can do to promote the development of wind power should be encouraged. At this time to "change the rules" and add taxation to the development of wind power in Kansas would be most detrimental.

W. Wiley McFarland
W. Wiley McFarland
Commissioner, Gray County

Senate Assessment & Taxation
2-5-03
Attachment 23

Lincoln County Economic Development Foundation
216 E. Lincoln Ave. - Lincoln, KS 67455
Phone: 785-524-8954 - Fax: 785-524-5008

February 5, 2003

To Whom It May Concern:

Senate Bill 85 proposes to repeal the property tax exemption for renewable energy resources, specifically wind resources and technologies.

If successful, Senate Bill 85 would limit rural economic development opportunities for farming regions of the state that have come to rely on technological advancements as a means of future survival.

Additionally, Senate Bill 85 removes financial incentives that would assist with offsetting a continued depletion of natural resources and further contamination of the natural environment.

The Lincoln County Economic Development Foundation believes the current tax exempt status afforded renewable energy resources, including wind resources and associated technologies, should be allowed to continue.

Discontinuing this particular tax exemption could very well in the future be counterproductive to the rural economy of Lincoln County, Kansas, and its neighbors.

Respectfully,

J. Stanley Walker, Director
Lincoln County Economic Development Foundation

Senate Assessment & Taxation
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Attachment 24