House Energy & Environment Committee

Testimony in Opposition to HB 2373

Karin Brownlee for NextEra Energy Resources

March 11, 2015

Mr. Chairman, committee members: Thank you for the opportunity to speak about wind energy in Kansas and the positive economic impact it has had for the past nearly 15 yrs.

Our client is NextEra Energy Resources (NEER). NEER built the first wind farm in Kansas in Gray County and currently has two other wind farms in Gray County. The Cedar Bluff development will be under construction soon in Ness & Trego counties. *Please see more info on NEER on the next page.*

NextEra Energy has several billion dollars to invest this year in development across the country. Over the past five years, NEER investments in energy in the U.S. have been so significant that this Fortune 100 company is a top ten investor across all sectors. This is private money used to grow jobs in Kansas and other states. Typically when a company comes to Kansas wanting to invest their money, we court them in many ways, with incentives, tax policy, etc. Why should wind developers be treated differently than other companies? You may be interested in the courting of a company in Oklahoma which is investing over one billion dollars in a fertilizer plant in Enid, OK. That company is receiving $148.7 M in TIF financing for the project. (*Please see the attached Wichita Eagle story about this plant.)*

PLEASE NOTE: NEER is not asking for incentives for its projects. NEER is asking for a positive and stable business and policy environment. The planning to invest hundreds of millions of dollars in a wind project takes a few years. We need to know that what is being planned today can be carried out with the same parameters in place when the shovel hits the dirt and the turbines first start turning. A number of different contracts are written during this process: Power purchase agreements (PPA), landowner agreements and payment in lieu of taxes (PILOT) contracts which last for the life of the project. It is a very sticky business when the Legislature inserts itself into ongoing contractual agreements between other parties.

The first decade of this century was a trying time for the Kansas economy and resulted in a net loss of jobs. Roughly during this time, the wind industry was quietly growing and since their inception in 2001 to today created about 13,000 jobs.

Your decisions as legislators are not easy ones. Governing by cliché is not an effective way to deal with the tough issues you face. You have heard the clichés on this topic: "we don't like government mandates" or "the government shouldn't pick winners and losers." As for government mandates, what legislation is not a mandate? More specifically related to electric utilities, what is not mandated when it comes to delivering electricity to every Kansas home and business? If you happen to live several miles out in the country, you are likely very thankful a power company of some kind has been mandated to deliver power to your door. Wind generated power from Kansas is the one power choice which can be offered to wholesale electric customers.

As for picking winners and losers, Kansas statutes indicate favorable treatment across the board for businesses in the energy sector.

Repealing the RPS will not level anyone's playing field. It will more likely scare off future investments by legitimate companies who are willing to put their money in Kansas. It's time we set aside this debate and welcome the needed jobs and capital investment to our state. I urge you to vote no on HB 2373.

NextEra Energy Resources
The largest owner and operator of wind-generating facilities in the United States, with a total wind power capacity of 10,210 MW

Kansas Summary
- About 18 employees across three wind farms totaling 376.7MW
- Over $635MM invested since 2001
- More than $2.4 million in annual landowner payments
- Over $900,000/year in donation agreements to Gray County
- Annual payroll of more than $2 million

Gray County Wind Farm *(Montezuma, KS)*
- 112.2 MW site using 170 Vestas V47 technology turbines
- COD date November, 2001 with an initial investment of $105MM
- PPA with KCPL and Sunflower

Ensign Wind Farm *(Gray County)*
- 98.9 MW site using 43 Siemens 2.3 technology turbines
- COD date November, 2012 with an initial investment of $175MM
- PPA with KCPL

Cimarron Wind Farm *(Gray County)*
- 165.6 MW site using 72 Siemens 2.3 technology turbines
- Acquired December, 2012 with an initial investment of $355MM
- PPA with TVA

Proposed Development – Cedar Bluff *(Ness and Trego Counties)*
- 200 MW site
- $365MM proposed investment
- Possible completion in 2016

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Koch Industries: If incentives are there, we will take them

BY KELSEY RYAN - THE WICHITA EAGLE

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Editor's note: A spokesperson for Koch Industries says Chase Koch's comments were in reference to the general business business climate in Oklahoma.

Koch Industries – perhaps the largest donor to the campaign against the 1-cent-on-the-dollar sales tax – opposes government incentives and subsidies but still takes them.

The proposed city sales tax would collect $400 million over five years to pay for a water source ($250 million), job development ($80 million), transit ($39.8 million) and street maintenance ($27.8 million).

Of the $80 million job development fund, 40 percent would go toward infrastructure and 40 percent would go toward job training. The remaining 20 percent – $16 million – would go toward incentives offered to companies for things like expansion or relocation.

"We have very, very consistently been opposed to government-funded subsidies and incentives and we will continue to do that regardless of the place, the time or the issue. We believe that, in fact, if we could have an opportunity to vote on government incentives that are funded here in Wichita or any place else we would oppose those at every point," said Mark Nichols, vice president for government and public affairs at Koch Industries, in a recent interview.

"We play by the rules and where the government incentives are already in place, then our businesses are going to participate. We think the better solution is to let market economies do the work that they're designed to do and to eliminate the idea of all the subsidies. Otherwise you create this cronyism of picking winners and losers. You're also therefore driving people to create temporary jobs to get temporary gains and competitively it's not a good thing long term for our economy or our community."

Nichols declined to say how much Koch Industries has contributed to the "no" campaign.

As part of a $1.3 billion expansion of its plant in Enid, Okla., Koch Nitrogen received a new tax increment financing district, the Enid News reported (http://www.enidnews.com/news/local_news/article_48e5c276-18b8-5374-af93-361236045c78.html) in June.

The News reported it was Koch's single largest project to date (http://www.enidnews.com/news/local_news/article_0a7dbbfe-5032-11e4-8826-c3b28bef2788.html). The TIF district would allow Koch to save $148.7 million from property tax increases.

"The climate that you have created here – everyone has created in Oklahoma – is the reason why we like to invest here, and why we've invested a lot over the years and why we will continue to," Koch Fertilizer president Chase Koch told the News (http://www.enidnews.com/news/local_news/article_0a7dbbfe-5032-11e4-8826-c3b28bef2788.html). "So please keep it that way. We love the climate in Oklahoma, it's a great place to invest and a great place to do business."

A spokesperson for Koch Industries says Koch's comments were in reference to the general business business climate in Oklahoma.

Jon Rolph, president of Sasnak Management and co-chair of Yes Wichita, the group in favor of the sales tax, said he understands why Koch is ideologically opposed to incentives but that if the company sees the logic in using them to be competitive, the same argument is valid for the city.

“They understand since competitors use (incentives) they need to use them. And we believe the same is true for our hometown because communities and states around us use incentives to grow and recruit business. If we’re not using them, we’re making ourselves less competitive,” Rolph said.

“Sometimes you have to set ideology aside and look at reality. Koch is a great organization and I agree with their philosophy that something could be done on the federal level. But until that time, I think Koch is right to accept them and Wichita is wise to use them because it does play a part in companies’ decisions.”

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