edp renewables
powered by nature

KANSAS CITY [illegible]
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March 18, 2015

RE: **Written Testimony on HB 2401**

Dear Chairman Kleeb and Members of the Committee,

EDP Renewables North America LLC ("EDPR") appreciates the opportunity to provide testimony to the House Committee on Taxation regarding HB 2401. EDPR stands respectfully in opposition of this bill.

EDPR is the fourth largest wind energy company in the United States and third largest in the world. EDPR develops, constructs, owns, and operates wind farms throughout North America; with over 300 employees, 10 offices, and 29 wind farms across the United States, EDPR operates close to 3,900 MW of wind farms including a substantial investment in Kansas.

EDPR owns and operates the 201 MW Meridian Way Wind Farm in Cloud County, selling the electricity to both Westar Energy and The Empire District Electric Company through power purchase agreements. EDPR has invested over $340 million in Meridian Way and has entered into a gift agreement worth $5.5 million with the Cloud County Board of County Commissioners. Construction of Meridian Way created 285 local construction jobs, and 19 Kansans are employed at the facility today. Additionally, local landowners receive substantial royalty payments for the duration of the project.

EDPR has also entered into a power purchase agreement with Kansas City Power and Light for 200 MW from EDPR's Ad Astra Wind Farm in Coffey County. The project begins construction this month and energy delivery to KCPL will commence in 2016. Like Meridian Way, Ad Astra will bring well-paying jobs, significant local investment, and reliable payments to landowners to the local area. EDPR and the Coffey County Board of County Commissioners have entered into a gift agreement worth more than $20 million.

EDPR maintains its Kansas development pipeline from our Overland Park Development Office. EDPR values its presence in Kansas and its relationships with landowners, community leaders, state officials, and power customers, and we look forward to maintaining a strong presence in the state.

Wind energy provides tremendous benefits to Kansas: It is cost-competitive, it provides a hedge against the unpredictable fuel and environmental compliance costs associated with conventional generation, it uses no water in its operation, and it emits no harmful air pollution. Current policies have kept Kansas competitive in attracting the billions of dollars of investment the industry brings, particularly in rural communities. This investment has diversified the state's economy, created well-paying jobs, and attracted new enterprises to the state.

Adding a 4.33% excise tax to renewable energy will be harmful for several reasons. It will make Kansas less competitive with nearby states like Oklahoma and Texas that do not impose an excise tax on an unlimited resource. And adding a new tax on wind energy sends a signal to investors that Kansas does not welcome renewable energy development.

Applying the new tax to existing contracted projects is particularly egregious. Wind generators have entered into long-term fixed-price contracts with utilities; the financial models used to calculate the power price assume a stable tax environment. To so drastically change the tax environment for an industry is not judicious for a state wishing to attract business development.

Typically, an excise tax is applied to finite resources, as it is in a state's best interests to preserve such resources for future utilization. However, wind energy is abundant and infinite. To tax renewable energy companies on the amount of wind that blows would be like taxing farmers for their use of the sun and the rain. It provides a strong disincentive to develop projects where the wind resource is best, and it encourages wind developers to look elsewhere for their investments. Additionally, without exempting projects currently under long-term contracts, this new tax increase undermines the business stability that a pro-development state like Kansas promotes, sending a warning signal to potential investors that the state will increase taxes at any time, even on business with signed contracts. For these reasons, EDPR respectfully opposes HB 2401.

Rorik F. Peterson, Development Project Manager