



March 13, 2022

Senate Assessment and Taxation Committee

Senator Mike Thompson Proponent Testimony on SB 374

Chairwoman Tyson and Committee Members,

Thank you for the opportunity to express my strong support for Sente Bill 374 which seeks to remove the property tax exemption for renewable energy sources for any project application after December 31, 2022.

Right off the bat, I do want to mention that there are two amendments that would be helpful if you work this bill.

First, ensure that the accelerated depreciation of turbines is removed.

Second, include language that prevents Investor Owned Utilities such as EVERGY from using the Ad Valorem Tax Rider for passing the cost along to ratepayers. Any wind turbines they own should only be able to pass along an increase or decrease in the ad valorem tax...and since they have avoided paying the tax on these turbines so far...is no reason to suddenly place that burden on the ratepayers of Kansas.

The renewable energy industry is now a mature industry that has been receiving exemptions from property taxes in Kansas since 1999. There are now close to 4,000 wind turbines across the state with another 6,500 on the drawing board. And, industrial scale solar installations will be expanding rapidly across the state as EVERGY has stated in their Sustainable Transformation Plan.

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As you will see in my testimony, we are bending over backward to subsidize multi-national, multi-billion dollar companies that are using our state to create a giant industrial scale revenue source for their purposes, until it becomes unprofitable...at which point they will leave us stuck with the cost of decommissioning all of these facilities...for which there is no current plan. The estimated cost of decommissioning the current batch of turbines is around \$4 Billion dollars. And with the expansion of solar facilities, the cost will be even higher. Who will pay for that? The state? The counties? The landowners? The wind companies? Nobody knows...but we had better start saving up some cash in case we do.

Currently, these facilities pay what is called Payment in Lieu of Taxes (PILOT) which is a mere fraction of what they would pay in property taxes. Unfortunately, this was originally done to promote the proliferation of these industries in Kansas. And, as a result of these extremely favorable and welcoming tax structures, we have seen renewables explode in this state at the expense of our reliable base load sources of electricity. Kansas electrical prices went from below the national average in 2002 before these renewables hit the scene in a big way...to above the national average due to the installation of these industrial scale turbines. And, Kansans now have the highest average electrical prices in our region to show for it.

The wind industry claims they make up for the unpaid property taxes with "Payments in Lieu of Taxes or PILOT funds. PILOT funds do not work for several reasons:



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- 1) Negotiated at the County level and thus the dollar amounts vary wildly across the state
- 2) Counties are not required to share these funds with schools
- 3) PILOT funds can be “cut off” at any time since they are not regulated
- 4) Most importantly PILOT funds paid are an estimated \$96 million less than what should be paid

Let’s look at an example of how we are cheating our kids. In Linn County there is a power plant in LaCygne that generates \$15,888,000 in property taxes per year, close to \$7 million of that goes directly to the school system. In neighboring Allen County, there is an Industrial Wind Development that is paying only \$250,000 in PILOT funds. Per the Kansas Department of Revenue figures they should be paying almost \$4 million in property taxes.

Let’s look at the Waverly wind facility in Coffey County for another example. This wind project began paying PILOTs to Coffey County in 2015. As of 2021 the developers/owners of the Waverly Wind Farm have paid Coffey County \$3,127,000 in lieu of property taxes. If you break that down, each turbine with an original cost of nearly \$4 million dollars... has paid approximately \$5,809.00 per year to the county. In comparison, I pay \$6,800.00 in property tax for my 3,000 square foot home in Johnson County which I built for \$472,000 dollars in 2002! I pay \$1,000.00 more per year in property taxes than a currently depreciated turbine valued at \$2.7 million dollars! I pay 11.9% in property tax, the turbines in Coffey County pay an effective rate of 8.9%....but the commercial rate is supposed to be 25%.

If forced to pay the current property tax based on the valuations, each turbine in Coffey County would have to pay more than double what they pay now. \$12,265

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per turbine each year...which is still a bargain for them as that is at the depreciated value listed for 2022. In 2016, according to the Waverly Wind Farm website, the original investment in the turbines was \$338,000,000 so in six years, they have already depreciated 37% of the value of the project...for a loss in valuation of \$92,000,000! Why do you think the PIOLTS are so attractive to these wind developers?

Based on the wind industry's own numbers, they pay \$39,000,000 less in PILOTs in 2021 than they would pay in property taxes. And their numbers are likely low.

A research article published in 2017 shows the loss to Kansas counties and schools due to the fact that these facilities pay PILTOS instead of property tax, shows Kansans were shortchanged by \$59.8 million dollars in 2017 alone. Here is a link to the article:

<https://investigatemidwest.org/2017/12/04/rush-to-attract-wind-turbine-investors-leaves-kansas-school-districts-shortchanged/>

Like you, my property taxes keep going up each year. I am not able to depreciate my property. Meanwhile, each of these turbines are depreciated on accelerated basis so that once the 10-year exemption from property taxes runs out, they are fully depreciated and will never pay anywhere close to the full property tax bill...like you and I do each year. Plus, there is no guarantee that they will pay those PIOLTs in perpetuity. In fact, once the exemptions run out...they will shift to the lower property tax valuation and continue to avoid paying what the average Kansan has to pay percentage-wise each year.



And, if the alleged life cycle of the industrial scale turbines are 25 years as stated by the wind industry, why are we allowing them to depreciate in 5 to 7 years? Does that tell you what they think the useable life span of these turbines truly are?

In addition to the property tax breaks, these industries receive massive Federal production tax credits and investment tax credits that make it possible for these facilities to earn money without producing any electricity at all. In contrast to the Kansas oil and gas industry, which is taxed 5 times on each barrel of oil, I can think of 5 ways in which we subsidize renewables before they even produce any electricity!

In contrast to our reliable energy sources such as nuclear, gas, and coal, there are many times when wind and solar installations use more electricity than they produce.

On top of that, these facilities engage in virtual power purchase agreements that act as backdoor funding mechanisms. Let me explain how that works. Some distant company decides they want a tax credit for investing in renewable energy. They can engage in a virtual power purchase agreement with a Kansas wind farm or solar facility...which will receive the money from that distant company. The distant company will get a tax credit...but may never get one kilowatt of electricity from the facility. In fact, it's likely that none of the electricity generated by the wind or solar facilities will reach their intended destination. Instead, those companies still get their power from a coal or gas plant but get a tax credit for subsidizing the "renewable" plant. I would love to get a deal like that...do nothing but still get paid.

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As you can see, there are multiple ways these facilities make money before they ever produce electricity. But with these heavy subsidies, when they do produce electricity, they force the wholesale price of electricity so low that our base load plants that supply us with electricity 24/7 must operate at a loss. That is one reason why investor-owned utilities like EVERGY are forced to retire plants that are being underutilized. The subsidies distort the energy market and unless we can get that under control, the chance of ever lowering...or capping rates for all Kansans will be impossible.

It's time that these companies began fully contributing to the State that has been far more welcoming to them than others. Kansans deserve that much from them. We have already paid dearly for them to be here...and as they continue to metastasize across our state, the costs to have them here will continue to climb and be passed along to each Kansan in the form of higher taxes and higher electrical bills.

You will hear the wind company claim that they create jobs, but once the construction phase of a wind farm is over, few permanent jobs are ever created.

Permanent Wind projects account for 0.1 jobs per MW on average according to Duke Energy and Wyoming Utilities. Kansas produces 7,016 MW of wind energy per year which equals 701 permanent jobs! Wind companies, however, are reporting 5,001 to 6,000 jobs!

Looking at it a different way, the US Bureau of Labor reports "Wind Technician" jobs for some states but not Kansas. Technicians make up about ½ of the permanent wind labor force. Texas has 1,600 technicians and it generates almost five times more MegaWatts than Kansas. Oklahoma who generates 25% more



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than Kansas has 380 technicians. Yet wind reports over 5,500 jobs which would be 2,750 technicians. The wind company numbers are overinflated.

Wind companies claim land owners were paid \$36 million in Kansas, yet the wind industry in Kansas collected over \$400 million in tax credits and \$5 billion nationally. And, in 2016 Wind companies paid close to \$400,000 in Kansas political contributions and \$7.2 million nationally.

The wind company will also claim that our oil and gas industry will be negatively impacted if you pass SB374. I assure you they will not. I spoke with several oil executives and they did not see any connection with making renewable companies pay their fair share in taxes, and a negative impact on their business.

In contrast to wind and solar, in 2021, the Kansas oil and gas industry generated over \$2.2 billion in output, put tens of thousands of people to work, and pumped hundreds of millions of dollars into the state's economy. The industry supports over 100,000 jobs and \$3 billion in family income. The industry is an important element of the Kansas economy today and will be a critical part of the economy going forward.

Kansas oil and gas producers are taxed five times on each barrel of oil or Mcf of natural gas produced (severance tax, property tax on equipment, property tax on reserves, state income tax, and federal income tax). The property tax (ad valorem taxes) on reserves is levied based on ability to produce rather than actual production, resulting in very high taxes relative to revenues for some wells. In addition, ad valorem taxes vary county by county based on variations in local mill levies.

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