



Testimony Provided to the

**Joint Committee on Energy and Environmental Policy
October 18, 2011**

On behalf of BP, I, Karl Pierce a Director of wind development for BP Wind Energy, appreciate the opportunity to provide testimony to the committee regarding the property tax exemption for renewable energy as it relates to the development and operation of wind generation projects in Kansas.

BP is one of the world's largest energy companies, providing its customers with fuel for transportation, energy for heat and light, retail services and petrochemicals products for everyday items.

Today, BP Wind Energy is one of the leading wind developers in the U.S. with interests in 13 wind farms across seven states. BP Wind Energy has a gross generating capacity of nearly 1,600 megawatts (MW) with a further 375 MW in construction.

BP Wind Energy is building the Flat Ridge 2 Wind Project in Barber, Harper, Kingman and Sumner Counties. With an investment of almost \$800 million, the project will provide more than \$1.25 million in annual PILOT payments to the three counties that have our turbines for the life of the project. Sumner county will have 6 ½ miles of the project's generation tie line and it will have the interconnection substation built for Westar Energy. The substation, I understand, will be assessed annual state ad valorem taxes.

BP's out-of-state customers have many options when shopping for wind power. One of these utility companies did in fact sign a Power Purchase Agreement (PPA) with a wind developer whose project is in Oklahoma. The business environment for wind development created by state, county and local policy makers in Kansas contributed directly to the success of Flat Ridge 2 in its pursuit of a PPA and its ability to acquire two out-of-state PPA's for the Flat Ridge 2 project. The property tax exemption for renewable energy projects implemented by the state legislature more than 10 years ago is a key driver in the project's success. Without it the price for electricity we offer would be 30% higher and would have certainly sent our customers to other states in search of more competitive pricing.

BP is enjoying strong relations with our counties (some of whose representatives are offering testimony today). At Flat Ridge 2 the counties with wind turbines benefit directly from the wind project. They will receive PILOT payments for more than 20 years due to the ability of BP to offer competitive electricity pricing from our Kansas project.

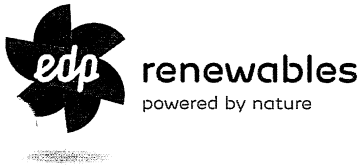
There are other knock-on effects that boost local economies when wind energy development comes to town. In Wichita, BP has awarded a local consulting firm a contract in excess of half-million dollars to assist us with geotechnical work for the Flat Ridge 2 wind project. A second such contract has been awarded to a Kansas-based firm for electrical work. These new investments are in addition to the \$200 million we have already invested in building out the Flat Ridge 1 Wind Farm in Barber County.

At BP, we look forward to expanding our footprint in this wind-rich state. We have one or more future phases of the Flat Ridge project that will be shovel ready in 2013 and beyond, given the right business conditions to do so.

Leaders in this great state had the foresight to make Kansas the go-to state for wind power. Landowners, counties, construction workers, and “mom-and pop” businesses alike will all reap the benefit of that vision. Without the property tax exemption for renewable energy projects there would not be a Flat Ridge 2 wind farm with an out-of-state PPA, having the benefit from those projects going somewhere else.

Again, thank you for the opportunity to provide testimony to the Committee.

Karl Pierce
Director, Wind Development



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October 18, 2011

Dear Chairman Holmes and Members of the Committee,

EDP Renewables North America LLC ("EDPR") appreciates the opportunity to provide testimony to the committee regarding Kansas' renewable energy property tax exemption.

EDPR is the third largest wind developer in the United States. EDPR develops, constructs, owns and operates wind farms throughout North America. With over 275 employees, 15 offices, and 28 wind farms across the United States, EDPR has developed more than 3,700 megawatts (MW) and operates over 3,500 MW of wind farms. EDPR has invested heavily in Kansas, with a Development office in Overland Park that manages our Kansas development pipeline, and our operating 201MW wind farm Meridian Way in Cloud County. EDPR has created more than 20 permanent jobs and invested hundreds of millions of dollars in Kansas to date.

The current renewable energy property tax exemption within KSA 79-201 has brought hundreds of megawatts of wind energy development and billions of dollars of investment to Kansas. Increasing taxes on wind development will have a negative impact on job creation and investment in the state and discourage one of Kansas' best economic development opportunities in tough economic times.

One of the advantages Kansas currently has over other states is the property tax incentive that the legislature has put in place. Investors will be considering the advantages that exist from state to state in making decisions on locations of new wind farms. Kansas competes with neighboring states for project development investment, and all of those states offer some form of property tax exemption or reduction. Repealing this exemption in Kansas would effectively place the state at a disadvantage to other states in the region.

The future of Kansas wind development exists in the export market. Projects in Kansas will compete with projects in other windy states for customers in less windy regions, like the southeast United States. A repeal of the property tax exemption would make Kansas wind projects comparatively more expensive to build, and as a result Kansas projects would have to offer less attractive power prices to potential export customers. This directly translates to diminished economic development in Kansas and lost export potential to neighboring states. This is not the time to be discouraging economic development.

Every operational project in Kansas has negotiated voluntary payments with local political subdivisions, which provides immediate economic development at the local level. The current framework in Kansas is bringing both development and additional income to local governments; in many cases neither development nor additional income to local governments would have occurred if taxes were assessed on the improvements.

Kansas' renewable energy property tax exemption is what brought wind development to the state, and is what will keep future wind development in the state.

Rorik Peterson
Project Developer, EDP Renewables North America LLC

Testimony on behalf of the Kingman County Commissioners

Before the Kansas Joint Committee on Energy and Environmental Policy

**By Carol Voran
County Commissioner
Kingman, KS**

Tuesday, October 18, 2011

Counties have different financial needs to which PILOT monies are attributed—existing needs, long-term needs or needs to supplement other taxing or community entities.

Counties' geographical and environmental needs are different, which affects construction costs of each project and which directly or indirectly affect amount of PILOT money.

Counties have differing regulations and governing bodies that are affected by a wind farm, e.g. township system or county system for care of roads, zoning regulations or none, incorporated cities or unincorporated cities

Because of the uniqueness of each county, PILOT program payments are an adequate way to negotiate compensation for counties to protect, maintain and preserve infrastructure and development that would benefit their particular area.

Counties through long term budgetary planning are dependent upon negotiated PILOT program payment amounts to meet long-term obligations at a specific level.

Wind farm development is favorable to specific locations, as is industrial, retail and manufacturing development. The location of the wind towers may not be in the same jurisdiction as state assessed transmission lines or privately owned power lines, substations, etc. The local area in which wind towers are located should be able to reap any financial benefit from that development. The issues and problems, if any, during the next 30 years from now or in any type of decommissioning, will in all likelihood be the responsibility of a local entity.

Kingman County is negotiating with a wind-farm developer / operator, and we expect to finalize a Decommissioning and PILOT Agreement that will be in effect for the life of the wind farm. If the tax exemptions for alternative energy are removed, the PILOT payments to our county would be eliminated.

**FOR THE ABOVE REASONS, KINGMAN COUNTY FEELS THAT
COUNTIES SHOULD CONTINUE TO NEGOTIATE PILOT PROGRAM
PAYMENTS WITH WIND DEVELOPERS AND THAT THE RENEWABLE
ENERGY TAX EXEMPTIONS SHOULD STAY IN PLACE.**

Elk County Kansas
Facts pertaining to Elk County's
Payment in Lieu of Taxes (PILOT)
10.18.11

- ‡ PILOT negotiated with Caney River Wind Project LLC (Enel N.A., owner and TradeWind, developer)
- ‡ Signed 12.31.2008 – at that time one of the highest PILOT payment in State of Kansas
- ‡ \$4,500 per MW for 20 years with a 2% annual increase
- ‡ After 20th payment, renegotiated and readjusted
- ‡ Caney River Wind project estimated to be about 200 MW
- ‡ \$900,000 estimated PILOT for first year – most likely paid in 2012
- ‡ Elk County's total 2012 budget - \$2.4 million
- ‡ Significant impact for one of the poorest county in the State.
- ‡ PILOT paid directly to the county – no other entities at this time.