

Joint Revenue Committee will consider two proposals Wednesday

## Wind tax talk whips up debate

By MATT JOYCE - Associated Press writer | Posted: Tuesday, November 17, 2009 12:00 am |

CHEYENNE -- Wyoming lawmakers will soon take up the thorny issue of whether to impose new taxes on wind energy development, a proposal that developers say could stunt the fledgling industry's growth in Wyoming.

Supporters of a new tax say it's only fair for wind projects to contribute to state and local governments equal to other energy industries. Opponents say Wyoming taxes are already high compared to surrounding states and any new tax would be premature.

The Joint Revenue Committee will consider two proposals to tax wind electricity generation at a Wednesday meeting in Cheyenne.

"I am hopeful that this legislative session will develop some means for there to be state and local revenues derived from the development of wind resources in the coming decades," Gov. Dave Freudenthal said recently. "You can pretty clearly demonstrate that (the wind industry) is not overly taxed and they certainly don't make the contribution that other forms of energy do."

The Wyoming Power Producers Coalition, representing 15 wind development companies, is fighting any new wind tax in the upcoming legislative session.

Executive Director Cheryl Riley said developers are willing to pay their fair share of taxes, but the state has time to come up with an appropriate tax because development is slowed down by a transmission bottleneck and ongoing land management issues related to the sage grouse, she said.

The development of Wyoming wind is relatively expensive because of its long distance from markets and the favorable tax policies in place in nearby states, according to a group position paper. Wyoming wind farms pay property tax, and when an exemption sunsets at the end of 2011, wind developers will begin paying 6 percent sales tax on equipment.

"Our goal for 2010 is basically status quo: Let's just keep things the way they are, and let's study the issue and make sure we get it right," Riley said.

The two bills the Joint Revenue Committee will consider this week would implement a state tax on electricity generation while also providing exemptions and credits so other power generators, such as coal-fired power plants, ultimately break even.

Sen. John Schiffer, R-Kaycee, chairman of the Revenue Committee, said wind development creates costs for government. Those include county costs like road maintenance and emergency services and state costs like Wyoming's struggle to preserve the sage grouse, a bird whose habitat sometimes overlaps with prime wind resources.

Schiffer's bill would impose a .0025 cent per kilowatt hour tax on electricity generation.

The bill would include exemptions for government-owned power plants, including hydropower, and home wind generators. Power plants that burn coal or other fuels would break even on the generation tax by receiving a rebate intended to make up for the severance tax portion of their electricity production costs.

Schiffer said the scheme should prevent the generation tax from pushing up electricity costs for customers large or small.

The proposed tax works out to roughly a 5 percent tax on generation, Schiffer said, which would put the wind burden in the same range as severance taxes on natural resources, which are roughly 4 percent for gravel, 6 percent for trona, 6 percent for oil and gas, and 7 percent for coal.

After rebates are paid, 10 percent of the wind tax revenues would be split among the counties based on how many wind turbines they have. Another 10 percent would go to the Wyoming Wildlife and Natural Resource Trust to mitigate endangered species concerns, especially sage grouse. Any remaining revenue would go into state coffers.

A second wind tax proposal, sponsored by Rep. David Miller, R-Riverton, would work similarly to Schiffer's proposal, but traditional power producers would get a rebate credit only if they agree to use 90 percent of it on electricity generation or transmission projects and put the other 10 percent into state's low income energy assistance program.

Because this winter's Legislature will be a budget session, the tax bills would require a two-thirds vote to be introduced.

Freudenthal, a Democrat, acknowledged that new taxes may be politically divisive, but he believes there are good arguments for a tax on wind. Schiffer said he's never seen a two-thirds vote to levy a new tax in his 16 years in the Senate.

"This may be a new adventure in living," Schiffer said. "It's like a lot of things -- you've got to get it out there and talk about it."