



The Wind Coalition

January 17, 2018

Dear Members of “Step Up Oklahoma”,

Thank you for your January 15, 2018 invitation to participate in your discussions seeking solutions to Oklahoma’s fiscal challenges. We welcome the invitation to bring the perspective of an industry that has been “stepping up” to solve Oklahoma’s fiscal challenges for years. In 2014, we committed to work with the Legislature to phase out the last three state incentives for power projects fueled by wind energy, in 2015 the first two were ended and, in July 2017, the last incentive ceased to be available to wind investors.

It has been reported that new taxes on wind were included in your proposal to satisfy the demands of certain anti-wind voices in your group. Based on public statements by some members, including some who are also listed in anti-wind energy groups, it is clear that a great deal of misinformation about electric power generators fueled by wind has been presented to you. Please allow us to correct some of the information that you might have been told:

Tax Fairness

Wind energy projects built today in Oklahoma are responsible for paying the same taxes as all other generators of electricity. For some reason, the proposal your group initially put forward would add a production tax on electricity generated by wind only, not on other power generators. It seems unreasonable to impose taxes on cleaner, cheaper Oklahoma wind energy, thereby delivering an inherent subsidy to power plants burning fuels imported from outside of the state, such as Wyoming coal. Since a significant portion of electric energy consumed in Oklahoma is produced by wind generators, your proposal would increase electric rates for consumers in the state, while subsidizing imported coal at the expense of homegrown wind.

It’s also concerning that this production tax is proposed to be paid on top of the ad valorem burden that wind projects already pay. This ignores the fact that the production taxes paid by oil and gas producers are “in lieu of” ad valorem taxation. Adding a production tax to wind without a corresponding offset in the local ad valorem tax would be unfair and inequitable.

With the end of all wind energy tax incentives effective in July 2017, new wind projects carry a tax burden that is substantially more burdensome than that borne by oil and gas production in the state. Even with your proposal to give up some, but not all, of the oil and gas GPT incentive (moving from 2% to 4%, reducing the 7% rate) new wind projects that qualify for no incentives remain taxed substantially more heavily. We would never call for taxes on another industry, and we would hope those calling for new wind taxes would commit to carry an equivalent burden before seeking to harm our industry through additional taxation.

Existing Investors and Business Reputation

Finally, your proposal reportedly endorses the removing or “capping” incentives already granted to those wind energy investors who brought more than \$20B of investment to Oklahoma. As wind energy companies typically contract for delivery of their power for the 20-25 year life of their projects, existing projects cannot unilaterally change contract terms. Breaking Oklahoma’s word and withdrawing incentives already granted would have a catastrophic effect on operating projects, would likely lead to litigation, and would be ruinous to Oklahoma’s business reputation and investment climate.

We note that your proposal to shave the oil and gas GPT Incentive from 2% to 4% is forward looking and your current proposal on wind attacks operating projects and investments committed on the basis of the Oklahoma law in place at the time that they were made.

Openness for the Discussion Ahead

Having raised these concerns about wind-related issues in your work so far, we look forward to beginning our discussions together and we have substantial and positive ideas to offer. We applaud the commitment of the business community to participate in this effort and we are appreciative of the recognition that our member companies deserve a voice in the discussion.

As a courtesy, and to prepare our corporate members to engage in a fruitful discussion with your group, we would request copies of any working papers on the "Step Up" plan, especially those related to wind.

More than 7,000 Oklahomans work in wind bringing affordable electricity to all Oklahomans, and tremendous economic development opportunities to rural Oklahoma. We are proud of our direct funding of Oklahoma's schools and teachers through ad valorem and the millions in annual payments to Oklahoma landowners.

We would welcome the opportunity to host a meeting with representatives from our industry and representatives from "Step Up" in the hope of finding some common ground. Our contact information is below and we ask you reach out to designate a point of contact with whom we can coordinate next steps.

Sincerely,



Jeffrey Clark
President
Jeff@WindCoalition.org



Mark Yates
Executive Director – Oklahoma
Mark@WindCoalition.org