

Basin Electric Power Cooperative Comments to the
Political Subdivision Taxation Committee Regarding
The Repeal of the Electrical Generating Facilities Sales Tax Exemption
January 13, 2016

Mr. Chairman, my name is Don Boehm Manager of Multistate Tax for Basin Electric. Thank you for the opportunity to address the committee on this issue. It is our opinion that the generation facilities sales/use tax exemption benefits the state and industry and should remain in place if other similar exemptions also remain in place.

Basin Electric uses the electrical generating facilities sales tax exemption extensively. Since 2009 we have used the incentive nine times at five locations. The nine projects represent an investment in the state in excess of \$1.1 billion. Eight of the projects were for new generation facilities, the other was for adding environmental controls on an existing plant. Although the environmental addition at the existing plant did not result in additional tax revenue for the state it did result in additional jobs and that plant currently provides \$3.1 million per year in tax revenue to the state. Five of the new generation projects are complete and those investments have resulted in contractors and Basin Electric receiving sales tax exemptions or refunds of almost \$8 million. Three projects are still under construction.

As a result of the new generation investment Basin Electric will pay an additional \$530,000 annually in new property, generation and capacity taxes for the life of those projects which are anticipated to operate 20-30 years. The completed projects also added approximately 50 well-paying jobs to the state.

Another item for the committee to take note of is that the electrical generation facilities sales tax incentive DOES NOT apply to the electrical infrastructure associated with the generating facility. The hundreds of millions of dollars invested in substations, transmission lines, switchgear, communications, etc. receives no incentive yet must be installed to move the power to where it is consumed. As an example, Basin Electric is currently building three high voltage transmission line projects extending almost 300 miles in the state at a cost of over a half billion dollars with no state tax incentives.

Is this sales/use tax incentive a good thing for the companies? Yes, it lowers the cost of constructing projects which lowers the amount of money that must be paid by the consumers who use the power. This is especially true with Basin Electric because being a cooperative means the people who pay the bills own the organization. Is it good for the state? Yes, it brings in construction jobs and revenue while the projects are being built, it provides long-term jobs after the project is complete and it provides tax revenue for the life of the project in the form of property tax and sales/use tax. We are unaware of any unintended consequences associated with this tax incentive.

From Basin Electric's perspective, is this tax incentive the LONE DECIDING FACTOR when we look for places to construct new projects? No, there are other items such as where is the power needed, access to electric transmission lines, natural gas lines, and water lines that carry more weight than the tax costs of a project. Is this incentive A FACTOR in determining where we locate projects? Yes, the long-term tax implications of any project are valued and considered when determining where to locate a project. Basin Electric has placed projects in seven different states within its service area and in every instance the tax implications were considered. Not every project we build for load in North Dakota is constructed in North Dakota, as an example the Culbertson generating station which is a 100 MW natural gas generation station was located just across the border in Montana to help serve the Bakken load.

Is this tax incentive more important than any other economic development tax incentive? No, the state should provide incentives to all types of businesses in order to respond to the needs of North Dakota's diverse economy and culture.

Our main concern with this proposal is that taxes and tax incentives developed in the state of North Dakota are developed and applied fairly across the state. Our goal is to keep our generating facilities on the same level playing field as any other utility, company, or industry in the state.