

**Testimony of Loren Laugtug
Otter Tail Power Company
Before the Interim POLITICAL SUBDIVISION
TAXATION COMMITTEE
January 13, 2016**

Mr. Chairman and members of the Committee, for the record my name is Loren Laugtug and I am before you today on behalf of Otter Tail Power Company. I submit the following comments regarding my company's support for retention of the current statutory sales tax exemption for electric generating facilities found in NDCC 57.39.2-04.2.

Let me begin with coal. Otter Tail Power is the operator and a co-owner of Coyote Station near Beulah, together with Montana-Dakota Utilities, Northern Municipal Power Agency and Northwestern Energy. While the Coyote Station co-owners are about to undertake a separated overfire air system, NOx reduction project at Coyote - - at a projected \$20 million dollars, it misses the \$25 million dollar threshold needed to qualify for the sales tax exemption. In the future, however, the Coyote owners may engage in a more comprehensive "environmental upgrade," that exceeds \$25 million dollars. We believe tax incentives are important for maintaining the competitiveness of our business customers in regional and world markets.

Next, I'll reference potential natural gas-fired generation projects and the importance of tax incentives. Unless federal EPA regulations allow us to build new coal plants, utilities will likely depend on natural gas for future electric capacity. Because our company does least-cost resource planning and operates in three states, we are obligated to explore the full array of technical and tax advantages of locating natural gas facilities in a particular state. Tax advantages of all types become "pluses" in North Dakota's column for future natural gas electric generation projects.

Finally, I would like to lend my company's support for continued favorable tax treatment for wind generation assets. Otter Tail currently owns wind assets in Barnes, Steele and Cavalier counties; we also have purchased power agreements for wind electric generation in Barnes and LaMoure counties. Nearly all of our wind-generated electricity comes from North Dakota. Whenever we undertake a new wind project, we are again obligated to consider all technical and financial advantages of locating wind assets in a particular state to the greatest advantage of our ratepayers. While multiple factors must always be considered, tax incentives for wind are certainly among those factors.

In conclusion, Mr. Chair and members of the committee, Otter Tail Power strongly supports the continuation of the sales tax exemption for electric generating equipment in North Dakota. Thank you.