

Testimony for Electrical Generating Facility Sales Tax Exemption
Presented before the Interim Political Subdivision Taxation Committee
Todd Simmons, General Manager of Wind Operations at ALLETE Inc.
January 13, 2016

Good morning Madame/Mr. Chair and members of the committee. My name is Todd Simmons and I am the General Manager of Wind Operations at ALLETE. I have spent my career in the power industry operating and managing both coal and wind powered generation facilities. Thank you for giving me an opportunity to speak to you today regarding the electric generating facilities sales tax exemption. I am here to speak on behalf of ALLETE and its diverse energy subsidiaries.

ALLETE and its affiliate companies have a long history in North Dakota and sincerely value the relationships we've built here over the years. ALLETE-owned BNI Coal has operated in North Dakota since 1930. BNI Coal supplies 4 to 4.5 million tons of lignite coal annually to the Milton R. Young Generating Station and employs 170 people with an annual local spend of \$60 million.

ALLETE, through its regulated utility operations at Minnesota Power, also has large investments in the State of North Dakota. Minnesota Power's Bison Wind Energy Center is the state's largest wind facility at nearly 500 MW. Minnesota Power has invested approximately \$1 billion in the Bison facilities realizing a peak construction workforce of 200 contractors in 2014 while constructing Bison 4. Operations for the Bison Wind Energy Center are composed of 27 Minnesota Power, ALLETE Renewable Resources and Siemens (original equipment manufacturers) employees. Through these operations ALLETE spends ~\$3.0 million annually on local labor, fuel and services and pays ~\$1.8 million in property taxes annually to the State.

ALLETE Clean Energy, a subsidiary of ALLETE, also has a significant connection to North Dakota. Most recently ACE completed a 107 MW wind project in Hettinger, ND for Montana

Dakota Utilities, and is seeking further business opportunities related to wind, carbon capture and sequestration and other resources in North Dakota.

One of North Dakota's greatest strengths relative to energy has been its ability to attract important investments through tax incentives and regulatory certainty. Much of the investment previously referenced was aided specifically by these policies. While these policies are not the sole reason ALLETE's companies have invested in North Dakota, they are prominent factors that signal and create an encouraging business environment. Unlike the strategy of many of its neighbors, North Dakota's encouragement of energy development through supportive policies has proved to be fruitful for bringing significant investment into the state. As the nation continues its transition to a more diverse energy profile, we think pro-energy development policies, including tax incentives, will encourage investment in North Dakota rather than elsewhere.

ALLETE and its affiliate companies also value the support that North Dakota has shown for supporting an "all of the above" energy policy. We believe that kind of balanced outlook is needed to mitigate risk to the general economy and to consumers from relying on any one energy source.

We also believe North Dakota's energy tax policies are important for supporting technological advancement which is an essential part of securing an energy future. Coal-fired generation has been the target of significant pressure as of late and faces a turning point as it transitions to new technologies and applications that will allow it to continue to provide the important baseload power it has produced for the last century. New technology development like the Allam Cycle, which ALLETE, BNI and Minnesota Power have financially supported in conjunction with the Lignite Energy Council and other parties, holds real promise for the future of coal. Along with being a funding partner on new coal technology research and development, supportive tax policies are a key tool the state has to help ensure that the promise of coal-fired generation is realized. Maintaining tax policy supportive of new generation can help ensure that North Dakota is where innovative coal-fired generation is built.

ALLETE, BNI Coal, ALLETE Renewable Resources Inc., Minnesota Power, and ALLETE Clean Energy greatly value our partnership with the State of North Dakota. We strongly support the continuation of the electric generating tax facilities sales tax exemption for all types of energy as an important competitive advantage for the state of North Dakota to continue to attract and retain jobs and investment in the State.

Madame/Mr. Chair and members of the committee, I thank you for your time. I would be happy to answer any questions.