

## Xcel Energy Testimony

Energy Development and Transmission Interim Committee

October 10, 2016

Mr. Chairman and members of the Committee, my name is Greg Chamberlain Regional VP of External Affairs for Xcel Energy. On behalf of Xcel Energy we urge a yes vote on the legislation intended to extend the sales and use tax exemption for wind generated electric producing facilities bill prepared for you by the legislative council. We join the unanimous support of the EmPower Commission in supporting this bill.

Xcel Energy is a major U.S. electricity and natural gas company with regulated operations in eight Western and Midwestern states. Xcel Energy provides a comprehensive portfolio of energy-related products and services to 3.5 million electricity customers and 2 million natural gas customers through its regulated operating companies. Company headquarters are located in Minneapolis MN. In North Dakota, Xcel Energy serves approximately 95,000 electric customers and 55,000 natural gas customers. Xcel Energy has been providing service to customers in North Dakota for over 100 years.

You have heard the mechanics of the bill in prior testimony. I believe this is not is not a good time for the State of North Dakota to step back from being aggressive in pursuit of projects that are competitive in nature and are not constrained by state boundaries. With a measureable impact from the state sales tax exemption Xcel Energy chose two North Dakota wind projects from our last round of requests for proposals.

- In Rolette County, ND, construction was completed on the \$260 million dollar 150-MW Border Winds Farm, creating 10 full-time jobs. The project employed 150 people during peak construction. It will generate \$605,000 annually in local tax revenue and is projected to provide landowners with \$13.3 million in payments over 20 years. In 2015, we paid \$391,000 in property tax on this project. In 2016, we expect to pay about \$700,000 on this project.
- Xcel Energy broke ground on a 200-MW wind farm project in Courtenay, ND in September 2015. The more than \$300 million dollar investment will create about 200 construction jobs and 14 full-time jobs, while providing an estimated \$850,000 annually in local tax revenue and pay landowners approximately \$20 million in payments over 20 years. In 2016, we anticipate paying about \$450,000 in property tax on this project. The anticipated annual tax for this project is about \$900,000.

In 2015, Xcel Energy paid \$3.2 million in property tax in North Dakota. In 2016, we expect to pay a total of \$4,650,000 in property tax in North Dakota which includes the \$700,000/Border and \$450,000/Courtenay.

Our ratepayers benefited from the lower overall cost of the project and the state benefits from the jobs and long term property taxes that these projects create. The landowners benefit by having a steady source of income during times of uncertain commodity prices.

We do not believe this is the end of Xcel Energy's investment interest in North Dakota. For the 12<sup>th</sup> year in a row we have been recognized as the No. 1 utility wind provider by AWEA. We are on record saying that we will continue the transition to cleaner energy, including renewables and natural gas. We are advancing the pace of integrating wind resources. We plan to add at least 1,000 megawatts of new wind by 2020. These projects could be sited in North Dakota, South Dakota, Minnesota or Wisconsin – states with a full or partial sales tax exemption.

Wind is an important part of our energy mix and is helping reduce costs compared to other sources of generation. Costs of transporting Wyoming coal to our Sherco power plants on a per megawatt basis are approaching the cost of these new wind projects. We see costs decreasing and capacity factors increasing in the wind industry.

We have been successful in holding costs down and integrating wind on our system. We have set new hourly records of more than 60% of energy coming from wind on an hourly basis and 50% of system energy on a daily basis.

We plan on developing natural gas generation in North Dakota which is a strong partner to wind generation but like all of our projects we have to go through a competitive process against states like Minnesota and South Dakota. Mark Nisbet shared with me he wants further investment in the state of North Dakota. This legislation is one of those tools that makes a difference. Xcel Energy appreciates North Dakota's focus on being a great place to do business and appreciate your committee for continuing to focus on how North Dakota can grow its economy through energy production.

Mr. Chairman and members of the Committee, on behalf of Xcel Energy, I ask you for your support of retaining the wind electrical generating facilities sales tax exemption. This concludes my testimony and I am happy to answer questions.