



# MINUTES

## Wind Energy Task Force

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**First Meeting**  
**2011 Interim**  
**Wednesday, July 27, 2011**

**Room 414**  
**State Capitol Building**  
**Pierre, South Dakota**

The first meeting of the interim Wind Energy Competitive Advisory Task Force was called to order by Representative Roger Solum, Chair, at 10:05 a.m. (CDT), on Wednesday, July 27, 2011, in Room 414 of the State Capitol, in Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senator Corey Brown (Vice Chair); Representatives Roger Solum (Chair) and Steve Street; Messrs. Paul Bachman, John DiDonato (appearing telephonically), Brett Koenecke, Jeff Peters, Todd Wahlund, and David Wiest. Senator Jason Frerichs joined the meeting a little later. Ms. Tracey Fischer was excused.

Staff members present included Reuben Bezpaletz, Chief Analyst for Research and Legal Services; Tom Magedanz, Principal Research Analyst; Aaron Olson, Senior Fiscal Analyst; and Kris Schneider, Senior Legislative Secretary.

All material distributed at the meeting is attached to the original minutes on file in the Legislative Research Council (LRC). The committee documents are available at the LRC website at <http://legis.state.sd.us> under "Interim Information – Committee Documents." For the purpose of continuity, these minutes are not necessarily in chronological order. This meeting was web cast live. The archived web cast is available under "Interim Information – Minutes and Agendas."

### **Remarks from the Chair**

**Representative Roger Solum** stated the task force's purpose, which was created by Senate Bill 194 during the 2011 Legislative session, is to look at taxation and other incentives directed towards the wind energy business in South Dakota and other states. While taxation is the primary focus, other items to be considered include transmission and distribution, tax credits from the federal level, land easements, and leases. The task force is to make recommendations to the Governor and Legislature by the end of the year.

Task force members introduced themselves, both personally and professionally.

### **History and Status of Wind Energy in South Dakota**

**Public Utilities Commissioners Gary Hanson** and **Chris Nelson**, and **Mr. Chris Daugaard** provided the history of wind energy development in South Dakota. A copy of their Power Point presentation was distributed to the members (**Document 1**). It was noted that South Dakota has twice the amount of capacity as usage. One of South Dakota's most pressing issues is

getting transmission lines developed and determining who pays what for the transmission. A national energy policy and a consistent production tax credit or other incentive would be beneficial. They also provided information on the permitting process and timeframes involved, and national organizations and their involvement in the wind energy business.

The task force recessed for lunch at 12:23 p.m. and reconvened at 1:40 p.m.

In response to a question regarding what incentives the Legislature could possibly provide, Commissioner Hanson stated that Minnesota tried net metering and centralization of wind turbines, both were a huge waste of money. Feed in tariff (FIT) is being looked at in other states. He suggested that the task force talk to developers for ideas. Commissioner Nelson stated that most of the impediments are from the federal level.

Commissioner Hanson stated that the Public Utilities Commission deals more with Regional Transmission Owners (RTO's) than Independent System Operators (ISO's). The Commission's statutory authority is to regulate and make sure the permitting process is followed.

### **Public Testimony**

**Mr. Ben Hach**, Portland, Oregon (appearing telephonically), **Mr. Russ Nelson**, Portland, Oregon (appearing telephonically), and **Mr. Tim Seck**, Minneapolis, Minnesota, representing Iberdrola Renewables, provided a comparison of South Dakota wind taxes with neighboring MISO states. Iberdrola Renewables is the largest owner of wind energy in the world, second largest owner of wind energy in the United States, and currently has three operating projects in South Dakota totaling 317.4 MWs. They testified the two areas that need attention in South Dakota are taxes and transmission lines. There is a significant tax disadvantage compared to neighboring states. A copy of their testimony via a Power Point presentation was provided to the task force (**Document 2**).

**Ms. Julie Johnson**, Aberdeen, (appearing telephonically), representing Absolutely Aberdeen, provided testimony on the perspective of the building and supply chain of the industry. Economic development funds are needed for the building of large plants for use in the manufacturing of the large equipment. Local and state governments need to take care of the road issues that arise. She requested that the task force also encourage economic development staff to work on these issues.

**Mr. Ken Fay**, Witten, representing small wind energy systems, testified about the different tax incentives provided to small and large wind systems. He will create a list of the inequities between the two and provide it to the task force.

**Mr. Dick Howard**, Pierre, representing the South Dakota Association of Towns and Townships, testified about the inequities of the distribution of the property tax monies relating to the maintenance of roads. He asked that the task force look at the method of distribution based on the responsibilities of the local governments.

**Mr. Steve Wegman**, Pierre, representing the South Dakota Wind Energy Association, distributed a handout entitled "2010 Year End Wind Power Capacity (MW)" (**Document 3**). He noted that South Dakota and Montana are lagging behind due to the tax differential. Nebraska, because it is a public power entity, has different challenges. The SDWEA is supportive of the study and is willing to assist as needed.

### **Committee Discussion/Agenda Items for Next Meeting**

**Chair Solum** stated he sees two issues – how can we use tax incentives to attract new wind energy development and how those revenues are distributed to the counties and townships.

**Mr. Jeff Peters** would like to have somebody from MISO explain the MISO market and how it works with other markets.

**Senator Jason Frerichs** would also like to hear about MISO and also focus on transmission lines.

**Mr. David Wiest** provided a brief history of the tax structure of wind energy. He suggested a presentation from the Department of Revenue regarding a comparison between South Dakota and other state's tax structure.

**Senator Corey Brown** would like to have the Department of Revenue detail what is taxed on South Dakota wind projects. LRC staff could provide information from MISO neighbors on how their tax structures and incentives are.

**Mr. Brett Koeneche** stated that comparing taxes is difficult. He would like to ask developers what motivates them and what we need to do to make South Dakota appealing to them. The transmission topic is tough and he does not believe legislation would pass. He suggested having the South Dakota Energy Infrastructure group, whose function is to study the transmission issues, provide a briefing to the task force.

**Mr. Paul Bachman** requested the developers that testify be asked to provide testimony on not only what their needs are, but also how it will benefit the people of South Dakota.

**Senator Brown moved, seconded by Mr. Koenecke, to hear a presentation from the Energy Infrastructure group prior to moving forward with transmission lines issue as an agenda item. Motion prevailed on a voice vote.**

### **Next Meeting Date**

Chair Solum set the next meeting for Wednesday, September 7, 2011.

### Adjournment

**Mr. Koenecke moved, seconded by Mr. Peters, that the meeting adjourn. Motion prevailed on a voice vote.**

The meeting adjourned at 3:05 p.m.



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