



Columbia Plateau Wind Energy Project Economic Impacts to Kittitas County

**Preliminary Report
October 21, 2011**

Introduction

One of the major economic benefits of wind power projects to a community are the property taxes. To date, the only wind project that has paid property tax in Kittitas County is Wild Horse Wind Power Project (Wild Horse), beginning in 2008. Wild Horse is owned by Puget Sound Energy (PSE), a privately owned, state regulated utility company. Since PSE operates in more than one county, the utility's wind farm is centrally assessed by the Washington State Department of Revenue rather than by the County Assessor.

Wind farms owned by independent power producers (IPPs), on the other hand, are assessed by their host counties and many of the projects' tax benefits are distributed locally. Invenergy's Vantage Wind Project and EDP Renewables' Kittitas Valley Wind Power Project will be the first projects that Kittitas County will assess locally. The County will use a new formulation developed by the Department of Revenue in assessing the operating and any new IPP-owned wind farms.¹ In the next few weeks, the Kittitas projects will be assessed using this new methodology.

Note that WindWorks! Northwest developed this analysis around existing and widely accepted information. It will be updated as soon as the new information is available.

Basis for Analysis

The "Kittitas County Economic Impacts from the Proposed Desert Claim Wind Power Project" by Central Washington University provided a very conservative method for assessing a wind project. The authors discounted the construction cost of the planned project by 50% to account for depreciation over a ten-year period and then by another 15% to account for the value of a centrally assessed project, since who would ultimately own the IPP-developed wind farm was unknown.

¹ During a meeting with the Kittitas County Assessor Marsha Weyand on October 14, 2011, she stated that with guidance from the Washington State Department of Revenue, a new method of evaluating wind farms was developed that will be used statewide. The new methodology is reportedly more beneficial to host counties.

WindWorks! Northwest has used this approach as it produces results compatible with other studies completed around the state.² The analysis is highly conservative with actual results often outpacing the estimates that we and other analysts have circulated.

Proposed Columbia Plateau Project

Our economic analysis is based on how the project sponsors have described their proposed wind farm to the press and in filings with Kittitas County.

PROJECT DESCRIPTION

Year of Construction	2012
Project Size – Nameplate Capacity (MW)	208
Turbine Size (KW)	2,600
Number of Turbines	80
Construction Cost (\$/KW)	\$2,150 ³

Tax Revenue

Based on the above information, the construction cost of the proposed project is estimated to be \$447,200,000 and the assessed value would be \$190,600,000. Using this figure, individual taxing districts would receive the following revenue from the wind farm.

State Schools ⁴	\$ 392,388.56
County General	\$ 199,452.77
County Road	\$ 138,172.29
Hospital #1, Levy	\$ 388.86
Hospital #1, Bond	\$ 54,979.00
Ellensburg School, Levy	\$ 423,262.48
Ellensburg School, Bond	\$ 97,412.03
	\$1,306,155.98

These figures are based on 2011 tax rates. All of the revenue but that collected for State Schools is local revenue. County General, County Road and Hospital #1 levy are all new revenue to their taxing districts for the first year. The bond for Hospital #1, and the Ellensburg levy and bond figures represents Columbia Plateau’s share of the yearly bond and levy payment. The yearly payment for these voter-approved taxes and levies is set by the taxing district. Adding additional assessed value to the district results in a lower tax rate for the taxpayers within that district, since the bond payment would remain the same.

If the Columbia Plateau project were not built, the tax rate would be approximately \$.25 higher per thousand dollars of valuation in the Ellensburg School District. Certainly, then, the

² Economic, Fiscal & Community Effects of a Skamania County Wind Farm. April 30, 2009.
 Economic & Fiscal Benefits of a Lewis County Wind Park Project. June 11, 2008.
 Economic Impacts of the Proposed Palouse Wind Project, Whitman Co., WA. September 21, 2010.

³ Capacity –weighted average cost nationwide from the 2010 Wind Technologies Market Report.

⁴ State Schools is property tax collected throughout the state for schools at a rate set by statute. It is distributed to schools throughout the state for general operations and programs.

tax revenue is good news on several fronts, as it provides badly needed additional revenue and lowers the tax rate for taxpayers. The additional revenue may help retain jobs and services. And, taxpayers will find that they have a little bit more money in their pockets through lower tax bills.

Fire Protection Services

Many wind projects are located outside the boundaries of established fire districts and do not pay taxes to a fire district to obtain fire services. A building permit requirement is that the wind projects obtain a fire protection contract if they are not within a fire district. In the case of the Columbia Plateau project, none of the land proposed is located within a fire district. The Kittitas Valley Wind Power (KV) project just west of Ellensburg is located outside fire district boundaries. The project is about half the size of the proposed Columbia Plateau project. The yearly contract for the KV project is \$7,200 with yearly escalation built into the contract. Additionally, \$220,000 upfront fire mitigation funds were paid. This is a significant figure for a small fire district with an annual operating and maintenance budget of just under \$200,000.⁵ Based on this contract we can envision that the Columbia Plateau project may pay \$15,000 annually for a fire protection contract.

Jobs and Income

A project of this size would create 115 direct jobs during the construction phase with a payroll of \$7,500,000. The Columbia Plateau project would create 11 permanent, direct jobs with a payroll of \$710,000.⁶ Additional indirect and induced jobs and payroll would also be generated as a result of the project, but have not been calculated.

Other Local Impacts

While the property tax revenue, jobs and income are the most measurable and major benefits a wind farm brings to its host county, additional beneficial economic impacts are also realized during construction and operations. These include:

- **State and local sales tax:** Currently, the State of Washington provides a 100% sales tax exemption on machinery and equipment used directly in generating electricity using energy from wind (and numerous other sources). This has been reduced to a 75% exemption starting July 1, 2011. New state and local sales tax revenue will be realized due to this change in statute (RCW 82.12.962). State and local taxes are collected on any products not directly related to generating electricity.
- **Increased local spending:** During the construction phase, hotels, motels, and campgrounds and restaurants are filled with out of area workers. Hardware stores, grocers, tire suppliers, auto dealers and parts stores, office supply dealers, caterers, security firms, fencing suppliers, and internet providers are just a few of the businesses that benefit from the projects during construction and beyond. During the

⁵ Conversation with DJ Evans, Fire District #1 Chief October 20, 2011

⁶ Based on results from the National Renewable Energy Laboratory's Jobs and Economic Development Impact (JEDI) Model.

operations phase, the companies that own these projects have proved to be good neighbors by renting office space, buying goods and services locally, and joining the local chambers of commerce and economic development organizations. These companies support local events through sponsorships and donations.

- **New land lease payments:** Lease payments to landowners are based on a formula negotiated by the project owner and the landowner based on the revenue generated by the project. In 2009, ECONorthwest estimated that the revenue was \$7,500 per turbine. Using that figure, the 80 turbines in the Columbia Plateau Project would generate \$600,000 in lease revenue.
- **Linkages with Central Washington University and Central Washington Resource Energy Collaborative (CWREC) are possible:** CWU's Mechanical Engineering Technology Program enables interested students to focus on renewable energy projects. This fall, the first phase of renovations for the high-demand Industrial and Engineering Technology Program at Hogue Hall were completed creating additional classroom and laboratory space. CWREC is a partnership between Kittitas County, the Kittitas County Chamber of Commerce, Puget Sound Energy, Central Washington University, and enXco Development Corporation. It is recognized by the Department of Commerce as an Innovation Partnership Zone focusing on renewable energy.
- **Enhanced renewable energy tourism:** The Wild Horse Wind Project owned by Puget Sound Energy and located in eastern Kittitas County has proven to be a tourism draw with its Renewable Energy Center. Since opening three years ago, over 60,000 visitors from throughout the United States and numerous foreign countries have visited the Center. The Renewable Energy Roundup is held each year on Memorial Day weekend drawing tourists from around the state to Ellensburg.

Conclusion

According to the US Department of Energy National Renewable Energy Laboratory, in 2010, Washington State was in the top five states of installed wind power capacity by MW. Numerous studies have been commissioned to estimate the economic impacts on the rural communities in Washington State where wind projects are proposed. Several of these studies have been cited in this report. Additionally, at least one study was commissioned to estimate the impacts of a wind project on the state as a whole.⁷ All of these studies came to the conclusion that wind power projects are economically beneficial to their host communities.

For the past decade, wind developers have been wind prospecting in Kittitas County. Kittitas County has the elements needed for wind development: a strong wind resource, land owners willing to lease their land to the wind developers, and numerous transmission lines. As long as these elements are present, WindWorks! will continue to present facts about wind farms and the economic and environmental benefits they provide. The specific benefits related to the Columbia Plateau Project noted in this report represent significant positive economic impacts for Kittitas County.

⁷ Economic Impacts of the Desert Claim Wind Project. February 23, 2009.