

ENERKNOL RESEARCH

VISUAL PRIMER SERIES

- Alternative Energy
- Wind Power

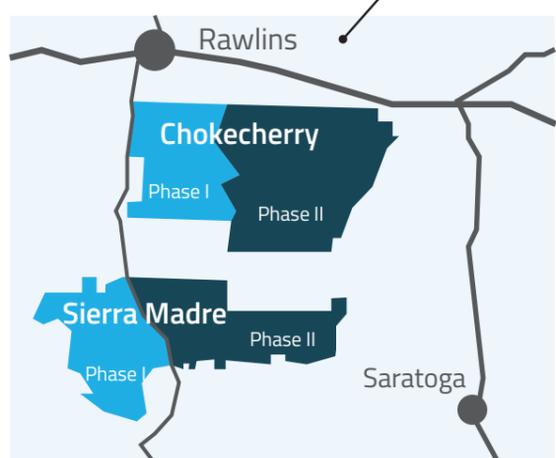
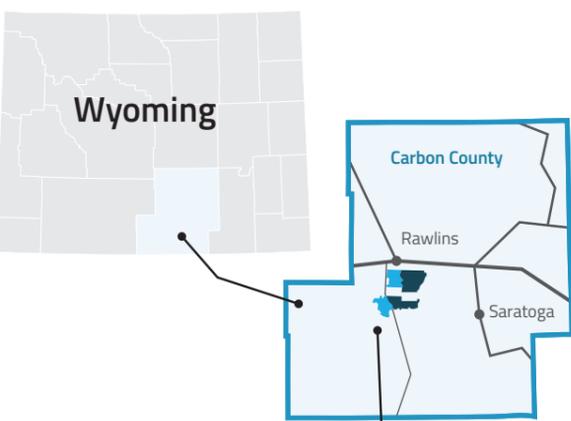
DOI Approves the Largest U.S. Onshore Wind Energy Project in Coal-Dominated Wyoming

Wyoming's Reliance on Coal for Tax Revenues Indicates Need for Reform amid Calls to Ban In-State Use of Renewable Power

January 24, 2017

JANUARY 17 DOI APPROVAL VS JANUARY 10 BILL ON ELECTRICITY SOURCES

On January 17, 2017, the Department of the Interior's (DOI) Bureau of Land Management (BLM) approved Phase I of a **3 GW wind project** to be built in two phases on 220,000 acres in Wyoming. The facility, Chokecherry and Sierra Madre Wind Energy Project, would be **the largest onshore wind energy facility in North America**, capable of powering nearly one million homes when fully operational. Meanwhile, on January 10, a group of legislators introduced a bill (**SF 71**) that would **require the state utilities to procure 100 percent of their electricity from coal, hydroelectric, natural gas, nuclear, oil, and net metering systems by 2019**. Generators **could continue to export** wind power to customers outside the state but would face a **penalty for delivering the same power to in-state customers**.



1

Project in Brief

The BLM's **Decision Record** comes after the completion of two site-specific Environmental Assessments (EA) on Phase I of the Chokecherry and Sierra Madre Wind Energy Project. Phase I of the project is estimated to generate approximately **\$200 million in property-tax revenue and to contribute \$116 million in sales taxes and \$118 million in state wind-electricity taxes over 20 years**.

Wyoming does not have an RPS, and therefore renewable energy demand is driven by exports to meet its neighboring states' RPS and utility requirements. According to a 2013 DOE report, approximately **74 percent of wind and hydropower produced in Wyoming is exported**. The project output would help Western states meet their RPS goals, contributing to significant emissions reductions.



1,000
wind turbines



\$5 bn
estimated cost



3 GW
total capacity



#1
in the U.S.

2

Proposal to Ban the In-State Use of Utility-Scale Renewables



for in-state deliveries to avoid a **\$10/MWh penalty**

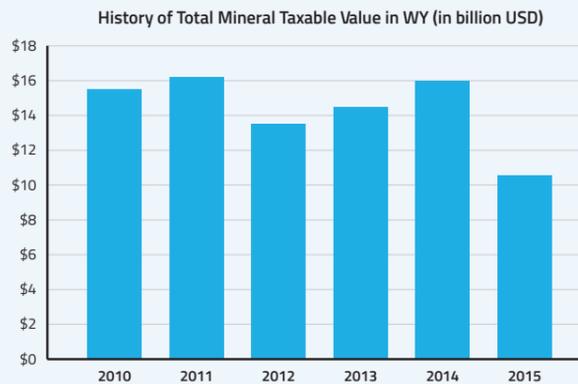
Although SF 71 would not affect out-of-state sales of wind power, it could dampen the state's burgeoning renewable energy industry. **It is uncertain whether the bill will pass, considering that a recent measure to increase the tax burden on the wind industry failed.**

3

Tax Revenue in Wyoming

Notably, Wyoming is **the only state to tax wind** electricity generation, set at \$1/MWh in taxes, after a turbine has been in operation for three years, pursuant to a 2010 law (**HB101**). Wind generation tax revenue from 2012-2015 totaled less than \$15 million.

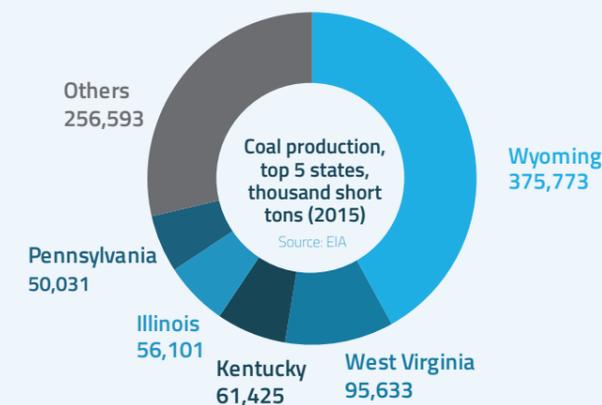
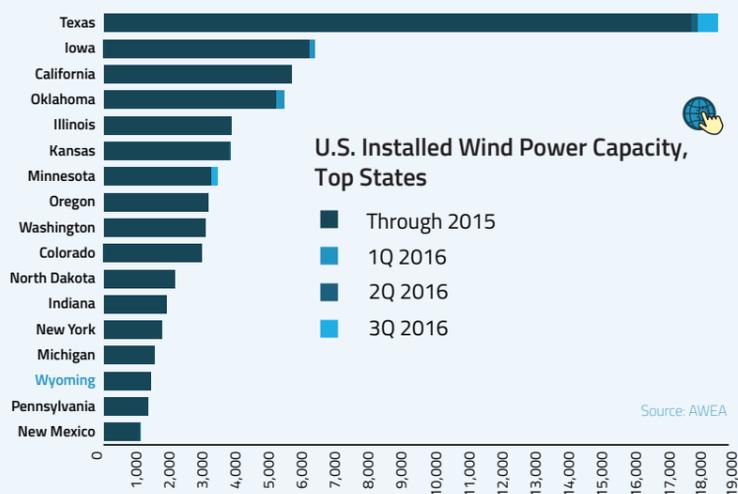
The coal industry, which has been a cornerstone of the Wyoming economy, has been under pressure in recent years due to competition from cheaper natural gas and tougher federal regulations, affecting Wyoming's tax capacity. SF 71 aimed to outlaw in-state use of utility-scale renewables signals the fight to preserve fossil fuel revenues.



4

Future of Wind in Wyoming

The Chokecherry and Sierra Madre project, in addition, to the new transmission lines, provide a much-needed stimulus to Wyoming's wind sector. **Despite the high wind potential, the state has not experienced major developments since 2010** after it enacted a wind electricity generation tax in 2010.



BOTTOM LINE

Wind Ahead

Although Wyoming does not have in-state demand for its renewable energy generation, the state benefits from out-of-state markets in the southwest, particularly California which has a robust RPS goal of procuring 50 percent of its electricity from renewables by 2030. Ensuring tax certainty is vital for long-term contracts in order to obtain transmission investments. The September 2016 legislature committee decision to reject wind tax increases also reflects a positive outlook.

Reconsider and Reform

Moving forward, Wyoming will need to diversify and reconsider its tax structure to reduce its dependence on mineral tax at a time when low natural gas prices, environmental regulations, and healthy growth in renewables are all making power generation from coal less economically viable. Despite the state's high-quality wind resources, additional regulatory and tax burden on Wyoming's wind industry could make the state less competitive nationwide, creating a foregone opportunity in the long term.

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