



April 28, 2022

Mayor Pierce and Borough Assembly
144 N. Binkley Street
Soldotna, AK 99669

Subject: Support for Proposed Kenai Peninsula Borough Ordinance 2022-08

Dear Mayor Pierce and Members of the Borough Assembly:

I am writing to express the Alaska Independent Power Producers Association (AIPPA)'s strong support for proposed Ordinance 2022-08, expanding the existing Kenai Peninsula Borough (Borough) tax exemption to include Independent Power Producer (IPP) generation projects within the Borough for 15 years. This tax exemption would directly support fulfillment of the state's energy policy and is in the near- and long-term interests of the Borough, its local economy, and its residents. AIPPA is aware of multiple IPPs interested in developing energy projects within the Borough. Equitable borough tax treatment of these projects is key for their economic viability.

Key reasons why Ordinance 2022-08 is good policy for the Borough:

1. IPP generation projects have an uncommonly high capital to revenue ratio, which increases the effective burden of property taxes on these businesses. Energy generation projects are capital-intensive, infrastructure-heavy ventures that produce a modest, stable long-term revenue stream. The projects are typically considered lower risk, making low returns more acceptable to investors. That said, the high capital cost and low annual revenue makes property taxes more burdensome for IPPs than for a typical retail business whose revenue is much higher in proportion to their capital assets.
2. The electric utility industry in Alaska is not a competitive market, rather it is a closed market tightly controlled by a handful of government-sanctioned geographically-defined monopoly utilities. These utilities are already exempt from paying property taxes, and Ordinance 2022-08 will partially extend this same status to IPPs, helping to level the playing field with the utilities.
3. There is a large market opportunity for IPP expansion in the Railbelt and Borough. Current IPP generation represents less than five percent of the Railbelt's electricity generation compared with about forty percent IPP market penetration in the Lower 48. This is one reason the Railbelt suffers some of the highest electricity rates in the U.S., and lags the Lower 48 in renewable energy deployment. If Alaska is to achieve our energy independence goals in a cost-effective manner, robust participation of the IPP sector is necessary.

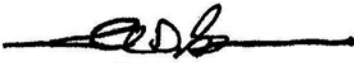
4. Ordinance 2022-08 incentivizes IPP developments within the Borough. IPPs are good for the Borough, its economy, and its residents for numerous reasons. Major benefits follow.

IPP benefits to the Borough incentivized by Ordinance 2022-08:

1. Local Infrastructure and improved energy security. IPP projects provide greater fuel diversity and energy security for the region. Today, the southern railbelt derives about 80% of its electricity from Cook Inlet natural gas. Risk-free addition of IPP-financed solar, hydro, wind, hydrokinetic, cogen, and other alternate generation infrastructure to the Borough's energy portfolio reduces dependence on this single fuel stock and its decades-old production and delivery infrastructure. This directly enhances the region's energy security and resilience. The distributed geography of IPP projects also improves security and resilience in the face of natural disasters and other calamities.
2. Reduced risk. IPPs insulate the electric cooperative utilities – and their member/owners – from project risk by owning and developing projects independently of the utility. Utilities and ratepayers are not exposed to permitting issues, cost overruns, equipment damage, and other risks associated with IPP projects. Advances in various generation technologies, as well as private-sector efficiency, innovation, flexibility, capital markets, and risk allocation have enabled IPPs to compete in this regulated market, but project margins are often very tight and reduced operating costs such as reduced property taxes help make our projects economic. All this ultimately contributes to lower costs for ratepayers.
3. Local jobs. There is significant room to grow the IPP industry in Alaska. Right now, wind and solar installers are two of the top five fastest growing job occupations in the U.S. Those jobs can and should exist in Alaska too.
4. Local economic benefits. In addition to local jobs and electricity cost & security benefits, IPPs also bring new tax revenue into state, borough, and local governments. Ordinance 2022-08 will still bring new revenue to the Borough. Comparable projects developed by electric utilities will bring no new tax revenue to the Borough. IPP projects that don't pencil out and never happen also bring no new tax revenue to the Borough.
5. Support for Open Markets. The closed electric industry market in Alaska is the result of legacy government policies and decades of special-interest legislation that has produced numerous exemptions, carve-outs, and subsidies for the electric utility industry. A result of all this government support is some of the highest electricity rates in the nation. Reforms implemented over the past 40 years in the Lower 48 have largely swept away the closed market structure that still endures on the Railbelt and replaced it with competitive markets that enable full participation of IPPs on an equal playing field. As a result, ratepayers in the Lower 48 today enjoy low-cost, reliable, and increasingly sustainable electricity. Incentivizing IPPs helps accelerate the pace of implementing similar long-overdue reforms in Alaska, so Alaskans can enjoy the same benefits and internalize lessons learned over the past four decades by our southern compatriots.

In closing, AIPPA fully supports KPB Ordinance 2022-08. Its direct benefits to the Borough will more than outweigh the foregone revenue as well as the perception that it is a special incentive to a single sector of the economy. I thank all of you for your hard work in service of the Kenai Peninsula Borough. I welcome questions, and am available to discuss IPP opportunities with you.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Groves', with a horizontal line extending to the right.

Joel Groves
President
Alaska Independent Power Producers Association
PO Box 20002
Juneau, AK 99802

cc:
Borough Clerk

References:

- 1) State Energy Policy: AS 44.99.115

Subject: FW: New Public Comment to Assembly Members

From: Kenai Peninsula Borough <webmaster@borough.kenai.ak.us>

Sent: Monday, May 2, 2022 10:37 AM

To: BoroughAssembly <Borough-Assembly@kpb.us>; Mayor's Department <MayorDepartmental@kpb.us>

Subject: New Public Comment to Assembly Members

Your Name: Nathan Beck

Your Email: natenak@gmail.com

Subject: Solar Farm Project

Message:

I just want to voice my support for the Kenai Peninsula Solar Farm. A 25% reduction in property taxes would be an exceptionally good trade for providing jobs and income to the Sterling area. I've watched many businesses close, and it's sad to see all the empty buildings lining the Sterling hwy when driving through my hometown. With 3 Bears opening up this summer, and with the passage of this legislation, Sterling will be greatly improved.

Given that the land in question is bringing zero income to the peninsula currently, and that the project is unlikely to go forward without some tax relief, it should be a clear and easy decision. We would be throwing away millions in tax dollars over 25 years, the only reason being that we wouldn't gain one million more. If this project isn't installed in Sterling, it most certainly will be somewhere else. Let's make the right choice and be the ones that benefit!

From: Kenai Peninsula Borough <webmaster@borough.kenai.ak.us>
Sent: Tuesday, May 3, 2022 5:34 AM
To: BoroughAssembly <Borough-Assembly@kpb.us>; Mayor's Department <MayorDepartmental@kpb.us>
Subject: New Public Comment to Assembly Members

Your Name: Ed Schmitt

Your Email: schmitt.edward@gmail.com

Subject: 2022-8

Message:

I am in full support of this ordinance. We want investment and development on the peninsula and the project aided by this ordinance is the best of both. It will provide lasting benefits for years to come.

My name is Eve Downing and I am writing to support the Ordinance Amending KPB 5.12.116 to Broaden Economic Development Property Tax Exemption for Independent Power Producers. I am a resident of District 5 and I graduated Soldotna Highschool in 2020.

I support this ordinance because I believe it will encourage greater economic development in the Kenai Peninsula Borough. For example, the proposed solar farm by an Independent Power Producer has the potential to bring in 40 to 60 new construction jobs to the area.

In addition to new jobs, the Solar Farm would increase our energy security by creating greater diversification of energy sources. At the moment, Homer Electric Association relies almost completely on Cook Inlet Natural Gas. As a member of Homer Electric Association, I would like to have a greater variety of energy sources. In addition, the proposed solar farm is projected to result in almost two million dollars of cost savings. I believe that these cost savings would outweigh the revenue lost from the tax relief.

As a borough resident, I believe that passing this ordinance will encourage economic development and benefit its citizens greatly. I urge you to support the Ordinance Amending KPB 5.12.116 to Broaden Economic Development Property Tax Exemption for Independent Power Producers.

Thank you,
Eve Downing

To the Members of the Kenai Peninsula Borough Assembly,

My name is Jode Sparks. I am a born-and-raised Alaskan from Sterling. I attended Sterling Elementary, Soldotna Middle School, Soldotna Prep School, and Soldotna High School. I am currently completing my post-secondary education at the University of Chicago. I care deeply about the Peninsula's economic and energy future: I am writing today to strongly urge the Assembly to support the Kenai Peninsula Solar Farm Project and vote in favor of the property tax exemption for Independent Power Producers.

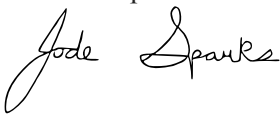
One of the first things I learned in my Economics 101 course was this: a diverse economy is a strong economy. This is true whether the subject is stock market portfolios, industrial policies, or supplying energy to KPB residents. Currently, HEA relies almost entirely on two sources of energy production: 84% is natural gas and the remainder is Bradley Lake Hydro. The proposed solar IPP would meet roughly 6.5% of HEA's electricity demand, providing much-needed relief to the power supply. The addition of a solar power IPP has been encouraged by HEA in order to lower the cost of electricity and diversify the resources available to us on the Peninsula. The Assembly can vote to invest in a long-term energy solution with the partnership of an IPP.

The proposed tax exemption just makes economic sense. The Kenai Peninsula Solar Farm Project would create 40-60 good construction jobs for Peninsula residents, and (even with the tax exemption) the project would generate \$3.8 million in KPB property taxes over its initial 25-year life. The project also estimates it will inject \$4.5 million into the KPB in local labor and services for construction. By offering a tax incentive, the Assembly can create jobs, expand the economy, and invest in energy independence for years to come.

The Kenai Peninsula has the opportunity to host the largest solar farm in Alaska while providing relief in the form of cheaper energy to its residents. The proposed project has a proven track record across the state in locations such as Houston and Willow. Additionally, HEA members do not bear the up-front capital risk for building the project, but will benefit from cheaper energy costs for years to come.

The Kenai Peninsula can make a sound investment to secure its energy future. If we do, we will be following in the footsteps of states such as North Carolina, Texas, and Florida which have increased their solar electricity by a combined total 17,323 Gigawatt hours over the past decade. As a proud Sterling resident, I urge the Assembly to vote in favor of energy security and approve the IPP exemption.

Sincerely,
Jode Sparks

A handwritten signature in cursive script that reads "Jode Sparks". The signature is written in black ink and is positioned below the typed name.