

Testimony of Charles E. Dunn, Esq., Corporate Counsel and Secretary, Midland Cogeneration Venture L.P., Concerning House Bill Nos. 4570, 4571, 4572 and 4573.

Low cost reliable electric power is essential for Michigan's economic growth and security.

Next to fuel, property taxes are typically the largest cost of owning and operating a power plant.

Since 2008, Michigan has consistently expanded exemptions from personal property taxes for industrial personal property in order to foster economic growth.

Beginning in 2008, Michigan exempted industrial personal property from the state education tax and school operating millages. Recently, Michigan has begun phasing out completely the property tax on eligible manufacturing personal property.

However, the legislature has maintained the school tax millages on a specific type of industrial personal property, "turbines" used to generate electricity.

In contrast to Michigan's policy to reduce taxes on industrial personal property, the legislature is proposing to create a new, expanded definition of turbine so that even more power plant industrial personal property would be subject to property taxation.

This move is completely contrary to the direction Michigan has been taking with all other types of industrial personal property.

The expanded definition of "turbine" is not consistent with how people in the power industry define turbine. It covers many types of machinery and equipment that is not a turbine in industry parlance.

Moreover, the expansion of the amount of industrial personal property subject to tax would be particularly damaging to the new owners of MCV, Borealis. It purchased the MCV plant in December, 2012, relying on existing Michigan law.

The proposed efforts to impose additional millages on more power plant property by expanding the definition of "turbine" beyond that typically used in the industry would increase MCV's yearly tax burden by almost 20% or approximately \$1.8M.

This \$1.8M yearly operating cost increase was certainly not expected by Borealis and is certainly not a way Michigan should treat a company that had recently invested many hundreds of millions of dollars in Michigan.

Moreover, the sale of the vast majority of MCV's electric output and steam output, its two products, have been committed under fixed priced contracts with no ability to recoup the substantial increased costs from this additional tax burden

An increased tax burden will encourage non-utility owners of Michigan power plants to expand or develop new plants outside of Michigan, and thus expand other states' work forces and improve their economic security.

While Michigan has been wisely cutting back on personal property taxes on industrial personal property to foster economic growth, there is no reason to unfairly expand personal property taxes on power plant industrial personal property.