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WHISTLING RIDGE ENERGY
MICHAEL CANON
PREFILED TESTIMONY
EXHIBIT NO. 48.00

BEFORE THE STATE OF WASHINGTON
ENERGY FACILITY SITE EVALUATION COUNCIL

In the Matter of Application 2009-01: WHISTLING RIDGE ENERGY, LLC; WHISTLING RIDGE ENERGY PROJECT	EXHIBIT NO. 48.00
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**INTERVENOR KLICKITAT COUNTY PUBLIC ECONOMIC DEVELOPMENT AUTHORITY
PRE-FILED DIRECT TESTIMONY
WITNESS #48: MICHAEL CANON**

Q Please state your name and business address.

A My name is Michael Canon. My business address is MS-CH-26, 127 West Court, Goldendale, Washington, 98620.

Q What is your present occupation and profession, and what are your duties and responsibilities?

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A I am Director of the Economic Development Department of Klickitat County and also serve as Executive Director of the Klickitat County Public Economic Development Authority (KCPEDA), a 501 ©3 non-profit which is overseen by an appointed board comprised of representatives from the county, the cities and towns of Klickitat County as well as members from the business community. Its purpose is to promote economic development opportunities in Klickitat County. KCPEDA is contracted by the State of Washington Department of Commerce (COM) as the Associate Development Organization (ADO) for economic development activities contracted with Klickitat County by COM.

I report to the Klickitat County Board of Commissioners regarding County economic development and the KCPEDA Board regarding KCPEDA functions. My job duties including implementing Klickitat County’s goals, policies and objectives for stimulating investment and economic development in the county by new businesses, as well as retention and expansion of existing businesses.

A particular focus of my work is to promote and support Klickitat County’s energy overlay. This is a carefully designed county framework, adopted in code, which encourages energy production in the County. After years of study, stakeholder outreach, land use planning and comprehensive environmental review, Klickitat County adopted an innovative overlay to its zoning code that facilitates the siting, permitting and development of energy generation facilities across a broad swath of the county. In developing this

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blueprint for stimulation of economic development and investment, the county made many pro-active decisions. For instance, the county undertook programmatic environmental review of the effects that an energy overlay zone would have on the built and natural environment. This was done at the County's expense and reflected a deliberate public investment in the future economic health of the county.

The programmatic EIS supported the overlay ordinance, which provides clear direction to energy developers regarding the County's standards and expectations during permit and environmental review. By establishing clear standards and a transparent, predictable and straight-forward project permitting process, the County has eliminated many unknowns that otherwise arise during permitting, making Klickitat County a more desirable place for energy investment.

Q Please briefly describe your work experience, including involving your experience with economic development in Klickitat County?

A I came to work at Klickitat County in 2006. Prior to that, I worked in economic development at the international level in the United Nations Food and Agriculture Organization (UNFAO), United Nations Economic Commission for Europe (UNECE) and the U.S. Department of Agriculture. At the United Nations, I spent 11 years working in Geneva as a secretary to the United Nations Economic Commission for Europe (UN/ECE), Agriculture and Timber division, where my job responsibilities included the promotion of economies

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transitioning into market-based economics. In the remainder of my career at the United Nations, which ended upon attaining mandatory retirement age, I was posted at the newly established Sub-Regional Office for Central and Eastern Europe in Budapest, Hungary, where I was responsible for supporting and assisting the efforts of former socialist economies of the Soviet bloc to enter the international, market-oriented economic system. My economic development activities with the UN were preceded by over twelve years' work at the USDA, working within the agricultural industry to advance produce and grower marketing organizations in their pursuit of nationalized standards for food quality. The position at Klickitat County enables me to draw from experiences within the agricultural industry and apply them to the agricultural lands and activities in Klickitat County, and enables me to apply to the County the experiences, lessons and knowledge gained from promoting and capturing government agencies' abilities to advance market-based solutions to economic needs.

The energy overlay is the center-piece of Klickitat County's sustained economic health. Klickitat County, area business owners, landowners and private citizens have all reaped the benefit of the energy industry's development here. As was hoped for, the county's economic foundation has been considerably strengthened across both the private and public sectors.

When I began here, there was one wind energy project already built and a couple were under construction. Since that time, nine more facilities have been completed and, in some cases, expansions undertaken. These facilities

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have added an estimated 130 facility-specific permanent jobs and more than \$1 million in added tax revenues generated for both the county and its junior or special taxing districts. The County's property tax base has grown considerably. It has increased from a taxable property value of \$1.7 billion in 2007 to more than \$3 billion in 2010.

These revenues to junior taxing districts, as an example, have enabled the Bickleton Fire District #2 to purchase an ambulance in 2009 and to begin plans to build a new fire hall to serve communities and farms and ranches in its district. Property tax revenue is flowing through junior taxing districts to the Klickitat Valley Hospital, the Bickleton School District, the Parks and Recreation District and others. This has helped to alleviate some of the burden for these new and important public amenities, the costs of which previously would have been borne in higher proportion by individual taxpayers. The County and its junior districts' ability to complete these projects and to provide enhanced services as a result of the wind facilities in this County has an invigorating and positive effect on the quality of life in Klickitat County.

Secondary business growth has also been spawned by these facilities, the operations of which requires support services and supplies such as new or expanded gravel pits for building service roads to wind projects. The increased demand for tires for trucks and equipment and repair needs have resulted in increased sales and additional jobs to meet demands in local businesses. Local restaurants, hotels and grocery stores report increased

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business. Local stores supplying other supplies for offices and wind farm employees are reporting increased sales as well. These private sector jobs and services have been created by local businesses and entrepreneurs choosing to invest their own private funds in economic activity at the local level.

The participating landowners on whose properties the facilities are built have also benefit from such facilities, either entering into long-term leases that generate a second, reliable stream of income for their households, or through the outright sale of their property.

Another area where Klickitat County has seen considerable economic development has been in the wine industry. In the past decade, the county has experienced a small boom in the development of vineyards, wineries and tasting rooms around the Columbia River. These facilities attract tourists who travel to the area to spend a day enjoying the splendor of the Columbia River Gorge and enjoying regional wines. One of the county’s major wineries is Maryhill Winery, named the Best Destination Winery by the Seattle Times and the 2009 Washington Winery of the Year by WinePress NW, the premiere northwest winery publication. This designation stems from the quality wines produced in Klickitat County and its setting overlooking the Columbia River Gorge. Maryhill is now sponsoring an annual outdoor summer concert series featuring a variety of A-list, Grammy-winning musicians and ensembles from a wide range of genres playing to sold-out crowds, and attracts tourists to Klickitat County for the wine, climate and entertainment.

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Q Can the wind energy facilities that are either built or under construction in Klickitat County be seen from points within the NSA?

A Yes. Maryhill Winery and Maryhill Museum, two of the county’s largest and most successful tourist attractions, are located immediately east of the NSA boundary (outside the NSA boundary) and in close proximity to one large Klickitat County wind farm with over 100 turbines. There are unobstructed views of that facility’s turbines from the Museum and the Winery. Maryhill Museum even has several wind turbines on its property which as added needed revenue to support expansion of Museum facilities. .Other turbines can be seen from a variety of wineries, vineyards and tasting rooms around the county.

Q Based on your experience as an economic development director, and your observations in Klickitat County, what is the nature of the effect of large wind turbines that are visible from wineries such as the Maryhill Winery?

A Winery tourism is a blossoming industry in this county, with several established brands expanding their facilities and accommodations to provide added entertainment such as the music amphitheater at the Maryhill Winery. The growth in winery tourism has occurred notwithstanding the presence of large commercial wind energy facilities in the immediately, visible vicinity. For example, turbines will be visible from the new winery currently under construction between Maryhill Museum and Maryhill Winery.

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In fact, in the past year, several tours organizers have begun including tours at or drives past Klickitat County’s commercial wind farms as a part of their “wind and wine” winery itineraries. The turbines have co-existed with the wineries as each industry continues to grow within the county, indicating compatible diversification of economic drivers that Klickitat County has sought to reinvigorate. The aspect of tourism arising at wind farms is consistent with what I have observed at the Wild Horse Wind Energy’s Renewable Energy Center in Kittitas County. Wild Horse Wind Energy Facility is a large, 149-turbine operating wind energy facility in Central Washington. It has become a tourist destination, attracting thousands of visitors from across the globe each year to the Kittitas Valley, curious to learn more about renewable energy in general and wind power in particular. Klickitat County is beginning to experience the same tourist traffic, now coupled with winery tours as well.

A Can you describe the consequences to Klickitat County as a result of the lack of business investment and economic development there?

Q This county, in the second half of the 20th century, was principally dependent on the timber industry and aluminum smelting. At its height, Klickitat County had 23 lumber mills and seven more providing shingles, railroad ties and planed wood. The local timber industry began a steep decline in the 1980’s, a slide from which the industry has not recovered to this day. Replacement of those jobs has been an on-going challenge to local workers, area businesses,

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local governments and the Department. The collapse of the timber industry was immediately followed by the decline and ultimate decimation of the area’s aluminum industry. Goldendale, in Klickitat County, was the home of one of two large aluminum smelters in south central Washington, and Columbia River Aluminum was at one point the single largest private employer in the county. At the end of the last millennium, the Northwest smelted up to 17 percent of the entire world's aluminum supply and 40 percent of the aluminum produced domestically. See Kinsey Hill, Gail “Aluminum Industry Powering Down” *The Oregonian*, March 11, 2001. By 2001, however, area smelters had reduced production capacity by up to 80 percent, and the industry in this area of the Columbia River had completely shut down by 2003. See Fehrenbacher, Gretchen “Aluminum All But Gone”. *The Columbian*, February 23, 2003.

This one–two punch to the economic health and continued viability of this county was potentially catastrophic. The energy overlay was Klickitat County’s response: a pro–active, planned and funded set of actions designed to redirect the economic foundation of the county and replace the revenues, jobs and businesses lost with an entirely new industry: energy. These efforts have borne tremendous fruit and sustained the county with significant amounts of investment, which in turn has generated new jobs, new businesses, and new sources of private income. Klickitat County’s energy overlay and subsequent development thereof are a benchmark for sound planning and economic development in the area.

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Q Does any land within Klickitat County fall within the boundaries of what is known as the Columbia River Gorge National Scenic? Please describe.

A Yes. The Columbia River Gorge National Scenic Area (NSA) was created in the early 1980's. It is an area of land restricted in its use by federal legislation intended to strike a balance between the objectives of protecting and enhancing the scenic, cultural, recreational and natural resources of the Gorge on the one hand while protecting and supporting the Gorge economy consistent with those natural resource protection measures on the other hand. Implementation of the first objective is accomplished by limiting development activities in Special Management Areas (high degree of limitation and largely on federal land) and, to a lesser but still restrictive level, in the General Management area (largely consisting of private land). At the time of its passage, thirteen Urban Areas were exempt from the provisions of the NSA legislation. The western part of Klickitat County, including but not limited to land surrounding the City of White Salmon, is affected by the restrictions of the NSA.

Q Can portions of Klickitat County, which are not within the boundaries of the NSA, be seen from inside the boundaries of the NSA?

A Yes. The NSA encompasses nearly 300,000 acres. With its varied topography and elevations, there are many vantage points from within the NSA, both in Klickitat County and further west into Skamania County, where Klickitat County can be seen.

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Q Please describe the effect on development in Klickitat County that would occur if the application of the NSA boundaries were expanded to all points outside the NSA boundary that can be seen from inside the NSA.

A This would not happen, because the NSA regulatory reach does not extend beyond its boundaries. However, in theory, were this to happen, expansion of the application of the NSA legislation to areas beyond the boundaries of the NSA itself could devastate Klickitat County's economy. Many of the energy overlay areas within Klickitat County can be seen from within the NSA.

If the development restrictions of the NSA legislation were expanded to areas in Klickitat County visible from within the NSA boundaries, this would likely prevent development of certain wind energy facilities. Energy development is the backbone of Klickitat County's economic survival. Prohibiting development on any lands in the county that are visible from inside the NSA would take significant amounts of acreage from the pool of possible energy development lands in this county.

This is counter to NSA legislation. Compensation to landowners whose land-use rights were restricted by the NSA legislation was a key issue when broad-based support for passage of the NSA was initially sought. As a result, provisions were ultimately added to the NSA legislation, routinely referred to as Rule 8(o), to address the loss of use issue. Rule 8(o) essentially provided that if a landowner's property was proposed for designation in one of the Special Management areas, it had two years during which time the U.S. Forest

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Service could purchase the property. If the USFS did not purchase the land, the property then devolved to the less-restrictive General Management designation. Funds were appropriated to provide this compensation.

The NSA was created through federal legislation that was highly contested and which required such compensation, due process and notice in order to receive the necessary support for its passage in the first instance. Expansion of NSA effects beyond its borders could have devastating effects on a county depending on the breadth of the expansion. Expansion of this legislation not through legislative processes, but through a state agency’s project-specific adjudication raises questions about the agency’s ability to do so .