

Yale and Taxes . . . in New Hampshire

Yale owns substantial tracts of land in New Hampshire and Maine, and has developed wind farms on its property there. Two of those projects illustrate the impact of transparency on the communities affected by Yale's investment strategies. In both cases, Yale's investment managers negotiated agreements with local governments. One agreement resulted in free electricity and lowered taxes for the community; Yale touts that wind farm on its "Ethical Investments" webpage. The other created a crisis over dramatically increased tax bills; Yale has not fully made public its involvement with that project.

Two tax agreements: a study in contrasts.		
	Record Hill	Granite Reliable
Yale Holds Equity in the Wind Farm	Yes	Yes
Yale Owns the Land Where the Wind Farm is Located	Yes	Yes
Number of Turbines	22¹	33²
Megawatts Produced	51³	99⁴
Decommissioning Fund	\$828,215⁵	\$844,033⁶
Taxes paid to Roxbury versus PILOT paid to Coös County in 2013	\$731,720⁷	\$495,000⁸
Free Electricity to Qualified Residents	Yes⁹	No
Featured by Yale as an Ethical Investment	Yes¹⁰	No
AMC raised objections during siting hearings	No¹¹	Yes¹²

Record Hill: Yale, Public Face

The Record Hill wind farm divided the community where it was being developed and, despite Yale's stonewalling, community members in Roxbury long suspected Yale's role.¹³ They made connections between Yale, a Yale landholding entity called Bayroot LLC, and Wagner Forest Management, which was developing the wind farm and manages timber and wind projects for Yale in Maine and New Hampshire. Yale's President Richard Levin and its Chief Investment Officer David Swensen refused to comment on Yale's involvement. The Chair of Yale's Advisory Committee on Investor Responsibility claimed that he was unaware of the controversy in Maine. Officials from Wagner refused to list any of Wagner's investors.¹⁴

Yale came clean about its ownership nearly a year later and only after its ownership was publicized by the Department of Energy. In early March of 2011, the Department of Energy confirmed Yale's ownership in a press release.¹⁵ After this press release, Yale made its ownership of Record Hill Wind Farm public; one reporter from the Yale Daily News wrote "Yale is notorious for keeping its endowment holdings confidential, but in early March, it did make public one long-suspected investment in a Maine wind farm."¹⁶

Once an obscure investment that Yale refused to confirm it owned, Yale now showcases Record Hill Wind Farm as an example of its ethical investment policies. In fact, this wind farm is the *only* investment that Yale lists as an example of an ethical investment. The asset has also been moved out of its endowment and Yale's Office of Facilities.¹⁷

Granite Reliable: Yale, Silent Partner

Granite Reliable Power owns a wind farm located in Coös County, New Hampshire.¹⁸ Yale owns much of the land where it is sited. It also owns nearly 20 percent of the wind farm through Granite Reliable Power.¹⁹ This equity stake in the project has not been public.

Comparing Wind Farms: Taxes and Community Benefits

Although the Record Hill Wind Farm is about half of the size of the Granite Reliable Wind Farm, it ended up providing the community where it is located with significantly more benefits than Granite Reliable. In 2013, Roxbury received \$731,720 in annual taxes from Record Hill Wind Farm.²⁰ The tax windfall caused the mill rate to plunge from 16.86 to 6.93.²¹

In contrast, Granite Reliable Power negotiated a Payment In lieu of Taxes (PILOT) Agreement with the Coos County government, which allowed it to pay only \$495,000 per year.²² The payment was so low that it caused fiscal crisis for the county, generated a State Supreme Court Case,²³ and was resolved by state legislation that declared the value of the wind farm would be half of its assessed value for tax purposes during the PILOT agreement.²⁴

In 2013, Granite Reliable Power tried to negotiate a PILOT agreement with the New Hampshire town of Drummer. Residents opposed the PILOT, but *The Berlin Daily Sun* reported that in a meeting with residents, the attorney for Granite Reliable's majority owner "said the company prefers PILOT agreements because renewable energy facilities are very difficult to appraise and *such agreements help avoid costly appraisals, appeals and court battles over valuation.*"²⁵ In 2012, Brookfield Renewal Energy, Granite Reliable Power's majority owner, fought to pay only \$249,000 of its PILOT payments to Coös County, instead of the \$495,000 the county was expecting.²⁶

Record Hill provides free electricity to qualified residents of Roxbury.²⁷

In contrast, Granite Reliable signed a secret agreement with handful of residents who were paid in exchange for supporting the project.²⁸ On September 17, 2008, Wayne Urso, a resident and selectman of the Millsfield township near the wind farm, wrote a letter to the site evaluation committee complaining that the residents of his neighborhood had not been included in the wind farm negotiations. He added that the "citizens of Millsfield want to totally stop this wind farm project unless we are involved in every aspect of the proposed wind farm."²⁹

About six months later, Granite Reliable Power signed an agreement with 11 property owners from this municipality, which called for "the strictest confidence" but "accidentally came to light" in 2013. In the secret agreement, the company agreed to pay the owners between \$2,500 and \$5,000, and these owners agreed to "fully support and cooperate with the developer in the permitting, development and operations of its wind farm."³⁰ On March 3, 2009, another letter from Urso indicated that no one from Millsfield would be attending the hearings, which were three hours away in Concord.³¹

Comparing Wind Farms: Environmental Group Support and Opposition

Organizations and individuals who are generally supportive of wind energy opposed the siting of Granite Reliable Power's turbines. For example, the Appalachian Mountain Club (AMC) opposed the siting of wind turbines on Mount Kelsey, and an expert testifying on its behalf to the New Hampshire Site Evaluation Committee argued that the project would damage old growth forests.³² Similar objections were raised by the Nature Conservancy,³³ the Audubon Society of New Hamp-

shire,³⁴ and residents of Coös County.³⁵

In contrast to Granite Reliable, the Appalachian Mountain Club supported the Record Hill Wind Farm. The wind farm was one of three wind farms that the Appalachian Mountain Club did not oppose even though these wind farms are visible from the Appalachian Trail.³⁶

Comparing Wind Farms: Decommissioning Fund

Although Granite Reliable is much larger than Record Hill, the decommissioning funds for the wind farms are nearly equivalent. The fund for Record Hill is \$828,215,³⁷ and the fund for Granite Reliable is \$844,033.³⁸

For Record Hill, the formula used to calculate the decommissioning costs is transparent. The developers estimated the decommissioning costs at \$37,646 per turbine with an additional \$59,500 to decommission other facilities.³⁹

If decommissioning the turbines at Granite Reliable cost the same as decommissioning those at Record Hill, then the costs of decommissioning the turbines alone for Granite Reliable would be \$1,242,318.⁴⁰ Although this figure is nearly 50% larger than Granite Reliable's decommissioning fund, it could be an underestimate of the decommissioning costs. Granite Reliable's wind turbines generate more power per turbine than those at Record Hill.⁴¹ If the decommissioning funds do not cover the cost of decommissioning the wind farm, then there is a risk that Coös County will be stuck with decommissioning costs, while Yale and its partner, Brookfield Asset Management, shield themselves from liability with the Limited Liability Corporations that they have established to develop and manage the wind farm.

Powerful Political Partners and Government Subsidies:

Although there are many important differences between these wind farms, there is an important similarity: Yale and its partners have been criticized for using political influence to gain taxpayer support.

For the Record Hill wind Farm, Yale partnered with Angus King and Rob Gardiner. Angus King partnered with Yale four years after he was governor. Rob Gardiner was a former president of the Maine Public Broadcasting Network.⁴² Both King and Gardiner had deep stakes in Record Hill's success. In 2007, King and Gardiner founded Independence Wind, which held a 10 percent share in Record Hill.⁴³ In addition to their ownership stakes, their company earned annual management fees of \$50,000 to move the local and state approval process. King sold his share in 2011, but his payment was a "success fee" that meant he would not be paid until the project was complete. After Record Hill was complete King earned \$407,000 for his share of the project.⁴⁴

For the Granite Reliable Wind Farm, Yale partnered with politically powerful ally, Brookfield Asset Management. A congressional oversight committee investigated federal loan guarantees issued by the Department of Energy, and found that many powerful individuals within the Democratic Party had a financial interest in Yale's partner. Heather Podesta, sister-in-law to John Podesta, and the Podesta Group served as lobbyists for the subsidiary of Brookfield Asset Management that held an ownership stake in the wind farm. Additionally, major donors to the National Democratic Party were invested in Brookfield Asset Management when it was developing the wind farm.⁴⁵

Both wind farms received federal loan guarantees, and Record Hill also received a federal sub-

sity. Granite Reliable secured a partial guarantee of a \$168.9 million loan from the Department of Energy.⁴⁶ The developers of Record Hill Wind Farm received a federal loan guarantee of \$102 million.⁴⁷ They also received a \$33.7 million federal grant from the Treasury Department that was provided to cover one-third of the project's costs.⁴⁸

Yale's Relationship to the Projects:

The Record Hill Wind Farm was developed by Yale's Investment manager, Wagner Forest Management, and a company headed by Angus King. In 2011 Yale bought out the minority partner,⁴⁹ and the asset was moved out of the endowment and into Yale's Office of Facilities.⁵⁰ Yale's endowment assets are listed in its IRS 990 tax form, Schedule R. The last time that Record Hill Wind Holdings, LLC is listed as an endowment asset in the 990 Schedule R is 2011, which is same year that Yale came clean about its Record Hill investment.⁵¹

Yale owns 79.84% of Freshet Wind Energy, LLC,⁵² which owns 25 percent of Granite Reliable Power, LLC.⁵³ While other owners of the wind farm have changed,⁵⁴ Yale has retained its stake in the wind farm since its inception as of the university's most recent tax filing.⁵⁵

Yale also owns 98.8% of Bayroot, LLC, which leases land to both wind farms.⁵⁶

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 - 3 "Project Statistics: Granite Reliable." U.S. Department of Energy <https://energy.gov/lpo/granite-reliable>
 - 4 "Project Statistics: Roxbury Maine: U.S. Department of Energy <https://energy.gov/lpo/record-hill>
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 - 6 "Tensions on Display at Commission Meeting" <http://www.berlindailysun.com/community/obituaries/103-news/local-news/46681-tensions-on-display-at-commission-meeting>
 - 7 "Real Property Tax Assessor Record"
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 - 9 Record Hill Statistics <http://recordhillwind.com/key-statistics>
 - 10 Yale Ethical Investment Policy Page <http://investments.yale.edu/social-responsibility/>
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 - 17 <http://investments.yale.edu/divestment/>
 - 18 Project Statistics: Granite Reliable." U.S. Department of Energy <https://energy.gov/lpo/granite-reliable>
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 - 22 "Granite Reliable Power, LLC and Coos County, New Hampshire: Agreement for Payments In Lieu of Taxes" <http://mediad.publicbroadcasting.net/p/nhpr/files/201301/GRP%20PILT.pdf>

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