



The Wind Coalition

Testimony Provided to the

House Energy and Utilities Committee - March 15, 2012

Kimberly Svaty, Representing The Wind Coalition

In Opposition to H.B. 2446

Chairman Holmes and Members of the Committee,

On behalf of the members of the Wind Coalition, I respectfully appear before you in opposition to the amendment that was attached to HB 2446, an energy storage bill, on the House floor. The amendment reads as follows: "If on January 1, 2016, construction of the facility authorized by the issuance of a permit pursuant to K.S.A. 2011 Sup. 65-3029, and amendments thereto, has not begun, than the portfolio requirement described in subsection (a) shall be not less than 10% of the affected utility's peak demand based on the average demand of the prior three years of each year's requirement." The initial RPS threshold was 10% by 2011. The RPS is currently due to increase to 15% by 2016 and then to 20% by 2020.

You will hear from many energy and utility industry experts about why repealing the state's RPS is counterproductive from an economic development standpoint, how it creates an uncertain investment environment for the industry which has quietly invested an unparalleled amount in Kansas in the last five years.

Utility ratemaking, transmission and generation planning is a highly complex matter, extensively studied and implemented by economists, generation planners, engineers, accountants, and many other professional industry experts. In the end, the decisions made have broad ramifications on all Kansas ratepayers whether residential, small business, commercial or industrial customers and to some extent the ratepayers in other SPP states. As such, it is imperative that due consideration be given to the subject. These are issues that should be thoroughly vetted by the committees of jurisdiction and impacted utilities. The utility industry does not rely on back of the envelope calculations. There are multiple layers of regulation and checks and balances that ensure markets and that ratepayers are not unduly burdened. Statute, the Kansas Corporation Commission, Wall Street financiers and the market as a whole are all checks and balances which ensure competitive pricing and industry viability.

The energy debates of the 2008 and 2009 Legislative Sessions were extensive. It was the goal of the Body to craft an energy policy for the state's electric utilities to adopt and implement over a twelve year planning horizon.

The RPS and Holcomb are bound by legislative history. But the linkage breaks there.

During the energy bill debates, the Wind Coalition either testified neutral or in support of the various bills primarily because of the inclusion of the RPS. New generation drives transmission

www.windcoalition.org

HOUSE ENERGY AND UTILITIES

DATE: 3, 15, 2012

ATTACHMENT 1



The Wind Coalition

investment which is critical to leveling electric rates, exporting all types of power and promoting energy security - all three stated goals of the comprehensive energy bill.

The eagle-eye focus of the Legislature for the past two years has been to create jobs and spur investment in Kansas. The wind industry has done so and in a big way. More than \$1 billion has been invested in the state thus far and we are projected to see investment of \$3 billion in 2012 alone as we double our wind generation fleet. Manufacturing jobs are being created in Kansas anchored by Siemens, Jupiter Group and New Millennium Wind. In addition, Mars which is building its first manufacturing facility in North America since the 1960s is coming to Topeka with 400 new jobs. Mars selected Kansas for a host of reasons, but one publicly cited reason was that Mars believed that by being in Kansas they could fulfill their corporate objective to be powered between 50 - 100% by renewable generation. Westar is helping them achieve their goal via their wind energy purchases.

A provision in the energy bill enacted in 2009 placed a governor on the rate impacts associated with implementation of the various provisions of the energy bill. A 1% threshold was established. As such, the Kansas Corporation Commission could disallow investments that were not just, reasonable or prudent. The Kansas Corporation Commission has stated that compliance with the RPS thus far, has had a "de minimus" impact on rates - in the 0%- 1.7% range. These figures are "fully loaded" meaning they take into consideration all aspects of integrating wind on each utilities' system.

Prior to 2012, Kansas had nine operating wind farms. We now have ten and by the end of 2012, seven more will come online. Of the 1,489 megawatts that will be placed in service in this year, 610MW or 40% will be used in-state to help fulfill RPS requirements. The remaining 879 MW or 60% will be exported. Of the 1,076MW of existing wind generation, the vast majority - 923.7MW - are used in-state and fulfill RPS requirements. Sixty-five MWs off the Smoky Hills Wind Farm has been contracted for by municipal utilities in Missouri.

Kansas lost its status as a net exporter of energy in 1999. Since that time, the focus of the Chairman and most of the members of the House Energy & Utilities Committee as well as the Kansas Electric Transmission Authority, the Kansas Energy Council and the litany of other energy related committees and working groups, has been to implement policies and reduce impediments to helping Kansas regain its energy exporter status. Our wind investments are helping provide a diverse power supply to Kansas utilities and we are able to export another commodity like we export our beef, wheat, natural gas and airplanes.

Between the House Energy & Utilities Committee, Senate Utilities Committee and the Joint Committee on Energy & Environmental Policy, a great deal of time has been spent this session discussing the cost drivers for electric utilities in recent years. Capital investment in transmission and generation, and environmental retrofits to meet new guidelines have been driving forces of the recent cost increases. However there are many more factors that play into the cost increases utility customers have seen. Last week an amendment in this committee was made to SB 419 that would have required the KCC to issue a report on all the factors



The Wind Coalition

driving cost changes on an electric utility customer's bill. This information would be very useful to the entire Legislature and could provide facts based on real-life experience rather than sweeping, guess-estimations.

The discussion on RPS freeze amendment is about jobs, and growing the Kansas economy. We have proven in three short years that we are an industry which delivers. The amendment to HB 2446 will have a chilling effect on investment. The signals sent by this Legislature will determine whether new manufacturing jobs and wind farm construction occur in Kansas or just across the state lines in either Oklahoma, Missouri, Nebraska or Colorado. As Kansans, we should all want to see the jobs and investment remain here in our state.