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Testimony of
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Before the House Standing Committee on Energy and Environment
Regarding Economic Impacts of the RPS and Wind Generation on the State of Kansas
February 14, 2013

Chairman Hedke and Committee Members:

My name is Luke Hagedorn and I am an attorney and with the Polsinelli Shughart law firm's Energy Practice Group. Thank you for allowing me to appear before you today to discuss the economic impacts of the Kansas Renewable Portfolio Standard generally, and wind energy generation projects specifically, on the state of Kansas and its citizens.

In addition to my testimony this morning, Dr. Scott W. White of the Kansas Energy Information Network, Mr. J. Britton Gibson and Mr. Alan Claus Anderson of Polsinelli Shughart and I have prepared a written report entitled "The Economic Benefits of Kansas Wind Energy" (the "Report"). My testimony this morning is intended to summarize the key findings contained in this report, but we encourage the Committee Members and any other interested parties to review the report for a more complete analysis of these important issues. Copies of this report have been distributed to the Committee Members this morning, but it is also available online at the Polsinelli Shughart website, http://www.polsinelli.com/files/upload/StudyKansasWind2012.pdf.

A. Overview

In the last decade, numerous wind energy generation projects have come online in the State of Kansas. While it is clear that the nineteen wind energy projects currently in operation in Kansas have significantly impacted the local, county and state economy, specific data quantifying the scope of this is not readily available. To address this issue, this report provides empirical, factual data from Kansas citizens, utilities, and project developers, and compares that empirical data with academic studies of the economic impacts of wind generation for state and local economies.

B. KEY FINDINGS

The key findings of our Report are as follows:

1. New Kansas wind generation is cost-effective when compared to other sources of new intermittent or peaking electricity generation.

   Dockets filed for recent utility energy projects indicate that wind projects are providing Kansas utilities with cheaper power per megawatt-hour ("MWh") than other forms of intermittent or peaking electricity generation, including natural gas. As a result, the impact on electricity rates for retail customers for new wind generation is roughly equivalent to, and often less than, the rate impact that is caused by other forms of new generation.

Actual Costs Per MWh of New Non-Baseload Generation in Kansas

Natural Gas (Emporia Energy Center)	Wind: Utility-Owned (Central Plains, Flat Ridge)	Wind: Power Purchase Agreements (Ironwood, Post Rock)
$45.63	$44.87	$35.00

2. Wind generation is an important part of a well-designed electricity generation portfolio, and provides a hedge against future cost volatility of fossil fuels.

   Wind generation is not intended to be a substitute for coal or natural gas generation, but instead plays an important role in balancing a utility's load demands and offsetting volatile fuel costs. Because the bulk of wind generation costs are paid upfront or set at a predetermined rate for the life of the project, utilities use wind generation to introduce known costs into their long-term portfolios to hedge against the future cost volatility of fossil fuels.

3. Wind generation has created a substantial number of jobs for Kansas citizens.

   Based upon empirical data from each of the Kansas wind farms and economic studies conducted by third-party sources, Kansas wind generation has created a significant number of jobs for Kansas citizens:

Jobs Created by Kansas Wind Generation

	Total Impact	Per MW	Per Avg. Project (150 MW)
Job Creation			
Total Jobs Created	**13,484**	**4.97**	**745.08**
Jobs (Construction Phase)	3,484	1.28	192.51
Jobs (Operation Phase)	263	0.10	14.53
Jobs (Indirect & Induced)	9,737	3.59	538.04

4. Wind generation has created significant positive impact for Kansas landowners and local economies.

   Empirical data from each of the Kansas wind farms and economic studies conducted by non-partisan sources indicate that Kansas wind generation has created the following additional economic impacts for the state:

Additional Economic Benefits of Kansas Wind Generation

	Total Impact	Per MW	Per Avg. Project (150 MW)
Landowner Lease Payments			
Annually	$13,673,302	$4,639	$695,850
Over 20-Year Project Life	**$273,466,040**	**$100,761.25**	**$15,114,187.91**
Donation Agreements and Community Contributions			
Annually	$10,414,609	$3,837.37	$575,604.77
Over 20-Year Project Life	**$208,292,180**	**$76,747.40**	**$11,512,095.40**

5. The Kansas Renewable Portfolio Standard is an important economic development tool for attracting new businesses to the state.

Sustainability is an increasingly important factor to companies looking to locate new facilities and the RPS is the most visible symbol to companies evaluating a state's commitment to sustainability. Should the RPS be eliminated, reduced, or delayed, a similarly clear negative message would be sent to those companies that include sustainability as a factor in site selection.

C. Conclusion

It was our objective when drafting this Report to facilitate thoughtful policy discussions about these issues, as they will remain important to Kansas now and in the years to come. We hope that the Members of this Committee will find it useful as they evaluate critical energy policy issues for the state in the upcoming legislative sessions.