



February 5, 2013

**Senate Bill 82
Senate Utilities Committee
Holly Carias, NextEra Energy Resources**

Chairman Apple and Members of the Committee:

I am Holly Carias, Director of Wind Development at NextEra Energy Resources. I wanted to thank you for this opportunity to address this amendment to the Renewable Energy Standards (RES) Act.

NextEra Energy Resources, LLC is a competitive energy subsidiary for NextEra Energy, Inc, a Fortune 200 Company. NextEra Energy has a portfolio of facilities totaling more than 41,000 net megawatts of generating capacity in the United States and Canada. NextEra is the largest consumer of natural gas in the country, third largest nuclear generator, third largest solar generator, and the are the largest owner and operator of U.S. wind generating facilities. In 2012, we added over 1,500 MW of wind energy to our portfolio bringing our total installed wind capacity to over 10,000 megawatts, a fleet size which is comparable to the generation capacity of a top 15 utility. We are also the largest operator of solar power in the country.

I am here today to express our opposition to Senate Bill 82. We have three main concerns with the amendment to the renewable energy standard. Foremost, is lengthening the 2016 requirement to 2018 and lengthening the 2020 requirement to 2024 will result in Kansas losing the momentum that it currently has as a leader in wind energy. Developers select project sites based on a number of factors, but the most important factors are states with a good wind resource, states with an “all the above” energy policy, and states with pro-business/pro-growth policies. Obviously, Kansas has a great wind resource with most of the projects now reporting net capacity factors of 50 percent or higher, some of the best in the nation. The existing renewable energy standard works; it has driven growth in the state: In 2009, Kansas was ranked 14th in the nation for installed wind energy capacity with 1,074 MW installed. Today Kansas has installed wind capacity of almost 3,000 MW. And, in 2012, with 1,440 MW installed, Kansas was 3rd in wind installations, following only Texas and California. Kansas’ status as a national leader in wind will be significantly impacted with this amendment.

Secondly, this change to the standards will send a signal to the utilities that there is uncertainty in the policies since there could be additional amendments in the future. This will mean that utilities may delay their procurement decisions and could ultimately cause increases to retail rates. Unlike commodity dependent energy resources, wind energy allows utilities to lock in prices for 20 plus-year periods. This provides certainty to ratepayers over other fuel sources where the costs are more variable.

Our last concern is with the broad language of the Kansas Corporation Commission’s ability to waive or delay the utility’s requirement for a specified period of time upon a showing of a good cause. While there could be extenuating circumstances which would necessitate a delay from the standards, this language could promote inaction or delays among the utilities. It also does not specify that utilities show a good faith effort to apply for firm transmission service in a timely fashion and to obtain renewable energy when the costs are economical.

For NextEra Energy's projects in Kansas, our investments in the state have now exceeded \$635 million. Our existing Gray County Project, which is a 112.2 MW project located near Montezuma in Gray County, was built in 2001. And, in 2012 we built the 98.9 MW Ensign Project and we purchased the 165.6 Cimarron I project, both of which are located in Gray County. The Cimarron I project is a great example of Kansas being an exporter of wind energy since the output of the project is being delivered to the Tennessee Valley Authority. These projects combined will pay approximately \$2.4 million in annual land lease payments, over \$2 million in payroll, and almost \$900,000 to the county for Payment in Lieu of Taxes (PILOT) Agreements. The Gray County and Ensign PILOT Agreements are the first to be signed guaranteeing payment for the entire life of the project. During the height of construction, Ensign and Cimarron I employed over 250 construction workers and now employ 13 permanent employees. Our Ensign project also furthered economic development in the state utilizing nacelles built in the Siemens plant in Hutchinson. For 2013-2014, NextEra Energy has planned an additional \$400 million investment in Kansas.

Not only has the Renewable Energy Standard improved economic development for the state of Kansas, the cost for wind energy has significantly been reduced in recent years. This has been caused by two main factors: turbine prices have decreased by approximately 30% and the turbine efficiency has increased by an approximate 25%. This has enabled lower Power Purchase Agreement prices and ultimately lower prices to the customers. Our company signed a 25-year Power Purchase Agreement with Xcel Energy for the Limon II project in Colorado for a price of \$27.50/MWh (2¢/kWh) with a 2.77% annual escalator. Xcel indicated that a half of the bids from their December 2010 RFP were 20% less expensive than bids from their 2009 RFP and a third of the bids were 30% less expensive. This demonstrates the substantial reduction in wind energy that occurred in only one year. According to Bob Glass, Chief of Economics and Rates at the Kansas Corporation Commission, the highest impact to rates reported from a Kansas utility for meeting the renewable energy standard was 1.7%. With continued improvements in technology resulting in significant decline in prices, we believe this rate impact will continue to decrease.

If the Federal Production Tax Credit does expire and wind energy costs increase significantly, the mechanism is already in place so that utilities do not need to comply with the RES. Under the Kansas statutes if meeting the RES causes the affected utilities total revenue requirements to increase by one percent or greater, then the Kansas Corporation Commission can exempt the affected utility from any administrative penalties for failure to comply with the RES.

In closing, NextEra Energy believes that Kansas is a great state for the wind energy to prosper, and we feel that the RES is a great mechanism for encouraging continued economic development for Kansas. Senate Bill 82 will reverse Kansas' trend as a leader in wind energy, and we cannot support it as it is currently written.

Thank you very much for your time, and I'm pleased to stand for questions at the appropriate time.