The Wind Coalition

*Testimony Provided to the*

**Senate Utilities Committee - February 5, 2013**

*Kimberly Svaty, Representing The Wind Coalition*

**In Opposition to S.B 82**

Chairman Apple and Members of the Committee,

On behalf of the members of the Wind Coalition, I respectfully appear before you in opposition to S.B. 82. The Wind Coalition is a non-profit association formed to encourage the development of the vast wind energy resources of the south central United States. The Wind Coalition is active in two particular regions: the Southwest Power Pool ("SPP") and the Electric Reliability Council of Texas ("ERCOT") grid systems, which cover all or part of 8 states (Texas, Oklahoma, Kansas, Nebraska, Missouri, Arkansas, New Mexico, and Louisiana). The Wind Coalition's members include developers, owners and operators of wind farms, turbine and component part manufacturers, law and engineering firms and public interest advocates.

The eagle-eye focus of the Kansas Legislature for the past three years has been to create jobs and spur investment in Kansas. With that focus, lawmakers have been attuned to the signals sent to the investment community. During that timeframe, from a wind development standpoint, Kansas has enjoyed one of the most stable policy environments in the nation. As such, the wind industry has invested and created jobs in Kansas and in a big way. Stability coupled with a great resource, an attractive business environment and technological innovation has produced the following results:

- More than $3 billion was invested in Kansas in 2012 in wind projects.
- By the end of 2013, Kansas will have more than 2,800 megawatts of installed wind energy equaling approximately $7 billion in investment since 2001.
    - Using an average amount of $400 million of investment for an average 200MW facility
    - The total does not account for the additional sales and payroll tax revenue from project jobs or indirect industry jobs, landowner payments, donation agreements, supply chain for projects and manufacturing, new component part manufacturing jobs, engineering (Black & Veatch, Burns & McDonnell), environmental (Terracon), meteorological, finance and other professionals and the ripple effect of additional economic benefits.
    - $25 million to local businesses during construction of the Flat Ridge 2 wind farm.
    - All 10 Kansas Counties with wind farms put into service in 2012 show increased sales tax revenues over the previous year.
- More than 13,000 jobs have been created by the wind industry in Kansas, both directly and indirectly since the first utility scale wind farm was built in Kansas in 2001.
    - 3,484 of these positions were related to project construction
    - 263 operation and maintenance jobs for the life of the projects
    - Based on Department of Energy (DOE) data, an additional 8,569 jobs were created indirectly during construction and 1,168 jobs indirectly during project operation.
- Kansas landowners receive $13 million in annual payments.
- Wind developer donation agreements total more than $10 million annually.
- Nearly all of these jobs and increased economic activity occurred in rural Kansas, where the lack

of new economic opportunity has led to depopulation.

- New wind component part manufacturing facilities have been built or announced:
  - Siemens - $50 million investment ramping up to 400 jobs in Hutchinson
  - Draka - $3 million with 7-10 new jobs, goal of doubling employment, in Hutchinson
  - Jupiter Group - $2.4 million, 120 jobs in Junction City
  - Schuff Steele - 200 - 250 jobs in Ottawa
  - Tindall and New Millennium Wind in the Newton Logistics Park - $90 million, 450 jobs
  - Prysiam Group, the largest cable manufacturer globally and the main supplier to Siemens announced a new distribution facility in Lenexa
  - Wurth Supply Service - 10 new jobs at a logistics and distribution center in Wichita
  - Clean Line $2B investment enabling additional $7B of new energy investment
- Mars $250 million facility, 225 jobs ramping up to at least 425 jobs
    - Selected Topeka from 82 sites across the US
    - First job information session drew 2,000 interested persons
      - $43,000 the average salary
    - Steve Jenkins, senior vice president of Go Topeka, said the candy plant eventually could produce up to 974 direct and indirect jobs that would create a payroll of $584.4 million over a 10-year period. A return on investment of 67:1.
    - The plant also would generate $269.7 million in taxable sales and purchases. A 31:1 ROI. Revenues to Topeka and Shawnee County over that period would be $31.2 million, a ROI of 3.6 to 1.
    - Publicly cited reason for selecting Kansas was fulfillment of a corporate objective to be powered between 50 - 100% by renewable generation.

One of the tools used to signal Kansas' willingness to develop its wind resources was the passage of the Kansas Renewable Portfolio Standard (RPS) as part of the comprehensive energy bill enacted by the Legislature and signed into law in May 2009. While it is a moderate requirement which the Kansas utilities with access to low cost Kansas wind power have easily met, it was heard by the wind investment community that Kansas was solidly behind wind development in the state.

To date, Kansas utilities have met the 10% by 2011 threshold and have nearly met the 15% by 2016 benchmark. With perhaps 50-100 MW remaining to achieve the 15% target, the Kansas Corporation Commission (KCC) has twice reported to the Joint Committee on Energy and Environmental Policy (JCEEP) (October 2011 and November 2012) 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. The rate impact finding is based on data provided by the utilities to the KCC.

Aside from a rate impact reporting requirement which was bolstered last session to include a retail rate impact report delivered to the Legislature, the 2009 energy bill included the following other checks and balances to ensure utility ratepayers were protected from investments that were not just, reasonable or prudent.

- 1% price governor - The KCC is permitted to exempt any utility that can demonstrate that compliance with the RPS would cause retail rates to increase by more than 1%
- In-State Sweetener: 1 MW of wind installed in KS for use by KS customers counts for 1.10MW
- Allow for a varied use of renewable resources to fulfill RPS requirements including capacity from

net metering customers, hydropower, landfill gas, solar and a host of other generation forms and the purchase of RECs.

- Retail rate report due to the Legislature 1 March 2013.

S.B. 82 is intended provide safeguards for ratepayers. I would respectfully submit that the current language is a more robust safeguard. Current law, provides the KCC the discretion to evaluate all aspects of the utility's integration of renewable energy rather than just the two tenants defined in the bill. Current law already provides a rate impact cap for renewable generation integration. And the KCC would not need to approve project ownership or a PPA is there were significant concerns about deliverability.

Initially some Kansas utilities opted to own a wind farm like they owned other generating assets rather than entering into long-term power purchase agreement (PPA). Owning any generation facility is a significant capital expense depreciated over time. Utilities found that signing PPAs for wind generation reduced the costs and risk. Utilities don't own the asset. They don't have to operate or maintain it. They don't pay for the power if it is not producing. The price is set for twenty years. There are no fuel costs (which is typically 60% the total cost of fuel based sources). A sample utility ownership price for wind generation in Kansas for projects coming online in 2009 was around $44 per megawatt hour. Juxtaposed to 2012 PPA prices for Kansas wind under $30 per megawatt hour.

The current discussion on the Kansas RPS is potentially harmful to both Kansas wind development and manufacturing interests. Delaying or lowering the anticipated demand for wind energy by delaying the RPS raises the risk of investing money in Kansas wind. It sends a message to developers, manufacturers and to finance entities that the Kansas' commitment to its wind resource development is weakening. To those making decisions on the investment of the substantial resources necessary to build turbines or create wind farms, the discussion in this legislature can sound louder than may be intended.

Appropriately so, a great deal of time has been spent this session and last 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 session, an amendment was added to a bill (SB 419) requiring the KCC to issue a report on all the factors driving cost changes on an electric utility customer's bill. The amendment did not advance. Nevertheless, such information would be very useful to policymakers and ratepayers.

Energy industry participants and policymakers across the nation are closely watching Kansas. Some individuals – legislators included – will try to make this a debate again about coal vs. wind. That is not this debate. This debate is about the competition for jobs and capital investment. Developers and component part manufacturers are watching. The states with favorable environments win capital investment. And to be sure, China is waiting in the wings. With more than $20B invested on their part in renewable energy technologies, they are waiting to be the supplier to US – the United States. Did you know that just a few years ago, the United States had a large market share of solar panel manufacturing? Now, the only solar panels that are manufacture red are made in China? Just as we have ramped up component part manufacturing in the US – 65% of the turbine is now made in the US compared to 25% in 2005 – our support for these jobs is waning. Wind jobs and investment is important to Kansas - to all of our communities. Big and small. Rural and urban.

In today's highly competitive effort to attract new business, many factors come into play. The appeal of states that value renewable energy can be seen in both wind manufacturing companies as well as companies value sustainability like Google, Mars, Intel, Kohl's, Microsoft, Sprint, Whole Foods, Dell, McDonalds, Chipotle and the like. Ed McCallum, a Senior Principle of McCallum Sweeney Consulting was recently quoted in *Trade and Industry Development Magazine*; " Having been involved in several site searches for renewable energy companies, wind in particular, the question always arises about the finalist state's position regarding RPS. Many times it makes the difference between winning and losing the project."

We are perhaps one to three wind projects away (about 550 MW) from full compliance with the stated RPS. When passing legislation like the machinery & equipment exemption, PEAK or last year's tax package, the assumption is made that the benefits outweigh the cost because the state's economic outlook as a whole will improve by the new jobs and investment made by small business and industry. How is the RPS any different? Three and a half years later, we can say definitively that the costs of compliance have been minimal, but the gains significant. Unparalleled in fact, in some of the rural areas. How else would Elk County have received a 50% annual boost in county coffers without Caney River? Thousands of new jobs and billions of dollars in new investment - primarily in rural Kansas stemming from a policy with a known impact of 0% - 1.7%. If I was a hedge fund manager and used to big returns, I would say Kansas has done well for itself.

The discussion on RPS is about jobs, and growing the Kansas economy. We have proven in three short years that we are an industry which delivers to Kansans. SB 82 will have a chilling effect on investment. The signals sent by this Legislature will determine whether new jobs and investment 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.