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House Committee on Energy & Environment

Testimony Supporting

HB 2373 Renewable energy standards act sunset

March 11, 2015

Chairman Hedke,

Thank you for allowing me to speak to you about the renewable portfolio standard and how it came to be in Kansas. HB 2373 would sunset the renewable energy mandate at the end of 2015.

As do most Kansans, I support the idea of renewable energy. But, as most Kansans, I oppose artificial government mandates, especially when they distort markets and add costs to consumers, all for ideological goals. I supported the RPS when it was adopted, as part of a comprehensive energy policy that was clearly aimed at building needed conventional generation in Western Kansas, and also to kick start a new industry. Wind energy has certainly been good for certain aspects of the state, but tax dollars have funded it.

I finished an engineering degree in 1978 at Kansas State University, in the first energy crisis. Renewable energy was very exciting back then. However, as I learned about the laws of nature, physics, thermodynamics, and engineering economics, I realized even then that the physics of the universe will always make wind and solar energy expensive. It will never supply the cheap, abundant energy needed to power the industrialized world.

While wind is free - much like oil just sitting under the ground is free - it takes work, equipment, technology, and money to extract the energy and make it useful. Currently, wind energy is receiving roughly a 50% federal subsidy in the form of the production tax credit. Though the PTC has seen temporary extensions, the feds will likely soon end the subsidy and if the RPS is still in place it will be Kansas rate payers alone who will pay the bill for any additional expansion. We are paying more on our utility bills to support wind. I have seen much evidence this legislative session to cause me to believe that the price tag is much higher than most believe.

I learned this year that wind energy supply, generated in Western Kansas, sometimes exceeds demand. At those times Kansas ratepayers, you and I, must pay to unload the excess electricity. That's right we are not only paying for the electricity we consume, we are paying others to take our excess electricity. We are also paying to maintain all the conventional generation, because sometimes the wind does not blow. We pay to have expensive spinning reserve generation ready at any instant to cover for drops in wind production. This is not the most efficient way to operate the electric grid.

I believe it's time the wind industry stands on its own two feet; it's time to end the government mandates.

What do we have to show for government subsidies of wind power?

By **Randy T. Simmons**, contributor, and **Jordan Lofthouse**

February 24, 2015, 06:00 am

<http://thehill.com/blogs/pundits-blog/energy-environment/233562-what-do-we-have-to-show-for-government-subsidies-of>

For the past 23 years, the federal government has subsidized wind power with tens of billions of taxpayer dollars through the Production Tax Credit (PTC). What do we have to show for it? Wind energy only supplied 1.6 percent of total U.S. energy in 2014. Now the Department of Energy wants to reach a ridiculous goal of 20 percent wind energy by 2030. The fledgling wind industry has no hope of reaching that goal on its own, and the government wants to stick the American taxpayer with the bill to sustain an industry that can't sustain itself.

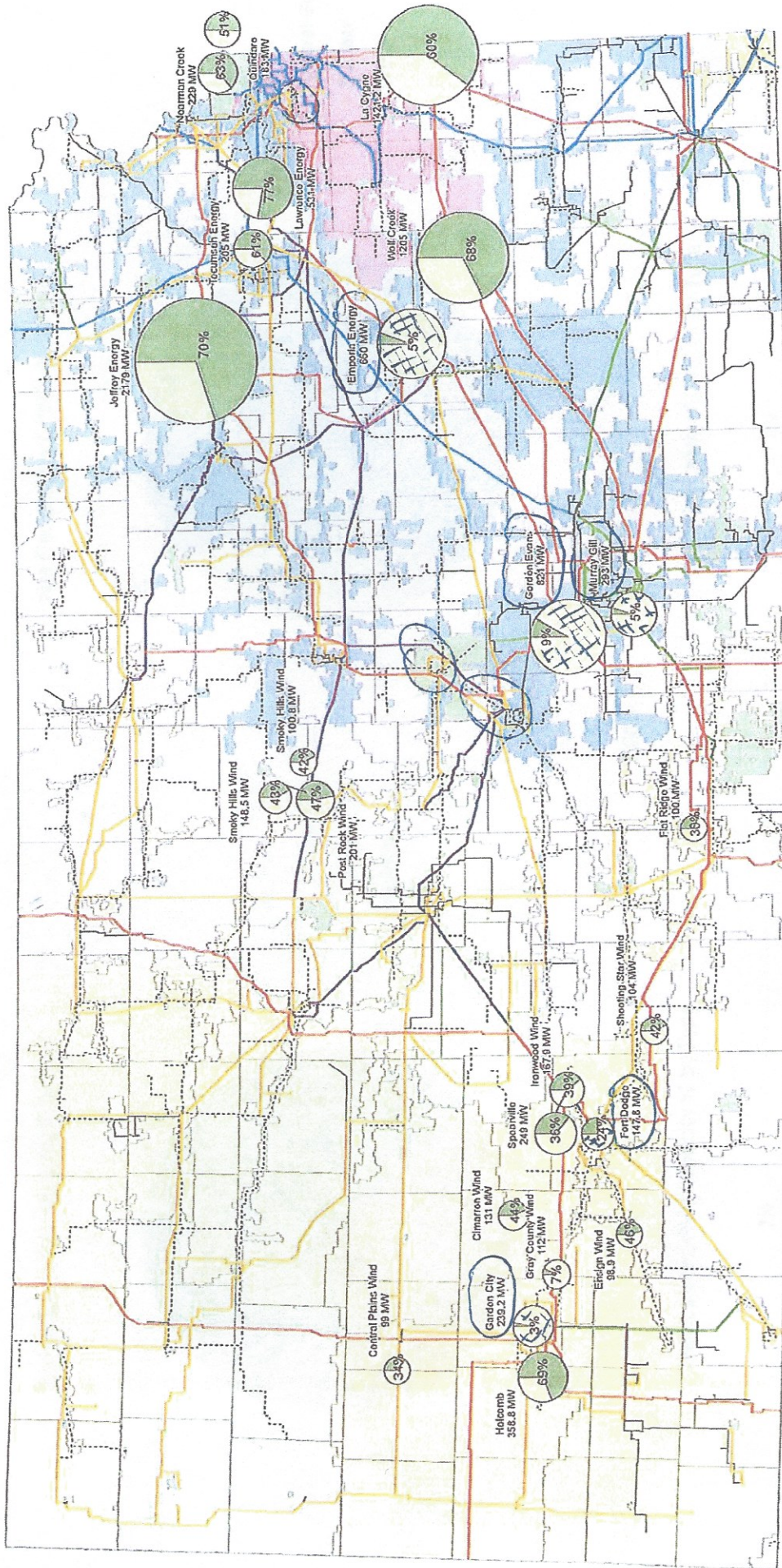
The PTC was originally intended to give the wind industry the kickstart it needed to be self-sufficient. But, despite wind energy's 23-year reliance on fiscal training wheels, the Obama administration now wants to make the PTC permanent. Let that sink in a little bit. The government is considering the creation of an endless welfare system for big wind companies. If that isn't crony capitalism, I don't know what is. The only reason wind energy has hobbled along is because of the government crutch that props it up. What does a permanent government subsidy say about the true viability of the wind industry? It proves that the wind industry is fully dependent on government handouts and can't ever be independent. So, why do we continue to allow our tax dollars to be thrown at an enterprise that cannot support itself in the foreseeable future? That's the question no politician wants to answer.

Not only does the PTC make the wind industry dependent on government funds, it takes money from the average American and gives it to the super-wealthy. The PTC is really a reverse Robin Hood, taking money from the poor to give to the rich. Money-savvy Warren Buffett fully realizes that the wind industry is not economically productive without the government there to push it along. Buffett said, "[O]n wind energy, we get a tax credit if we build a lot of wind farms. That's the only reason to build them. They don't make sense without the tax credit." While the PTC exists, private investors like multibillionaire Warren Buffett are able to profit at the taxpayers' expense.

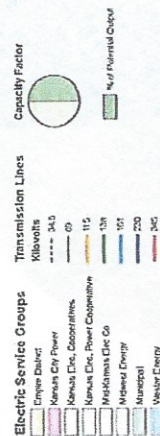
Every time the PTC is set to expire, investments in wind energy plummet. In 2000, 2002 and 2004, new wind installations dropped significantly when the PTC expired. But the government renewed the PTC after each crash, allowing the wind industry to limp along on the taxpayer's dime. In 2013, the PTC was expected to expire once again, and new wind installations fell by 92 percent. Big wind breathed a sigh of relief, however, when later in the year Congress added a provision to the American Taxpayer Relief Act that allowed projects constructed before 2014 to receive the tax credit. The construction of wind farms resumed. In keeping with that trend, Obama's 2016 budget proposal would make the PTC permanent, eternally prying money out of the American taxpayer's wallet for this failed initiative.

Must the American people tolerate paying at least \$12 billion annually in tax-funded PTC money to prop up the wind industry indefinitely? If wind energy is the panacea that politicians claim, it should be capable of standing on its own. The wind industry has had 23 years of government assistance to become independently profitable, and even though it still isn't, the Obama administration thinks the solution is a never-ending cycle of crony capitalism.

Simmons, Ph.D., is director of the Institute for Political Economy and professor of political economy at Utah State University. He also serves as president of Strata Policy, a public policy think tank headquartered in Logan, Utah. Lofthouse is a policy analyst at Strata Policy.



2013 Kansas Energy Generation Dispatched by Southwest Power Pool



Not Gas:

Central City	239 MW	3%	7.2
Fort Dodge	148 MW	24%	35.5
Garden Evans	821 MW	9%	73.89
Empire	660 MW	5%	33.0
Murray G.I.I	293 MW	5%	14.7

Hutchinson
McPherson
West Gardner

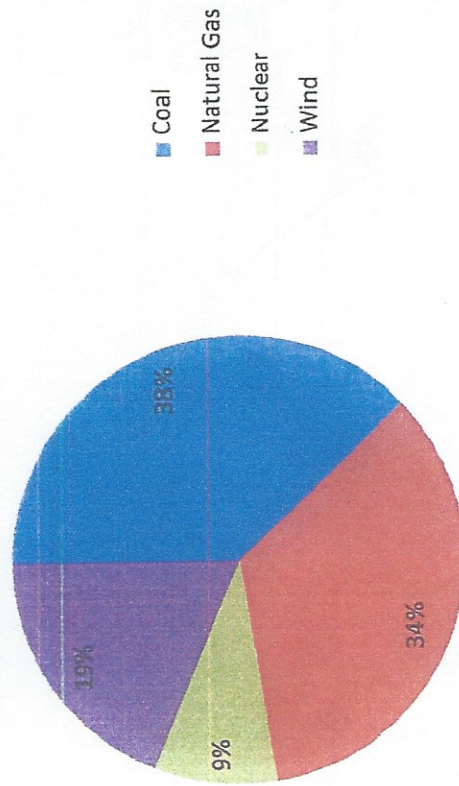
2161 MW / 164.3 (7.6%)

0 10 20 30 40 50 60 70 80
Miles

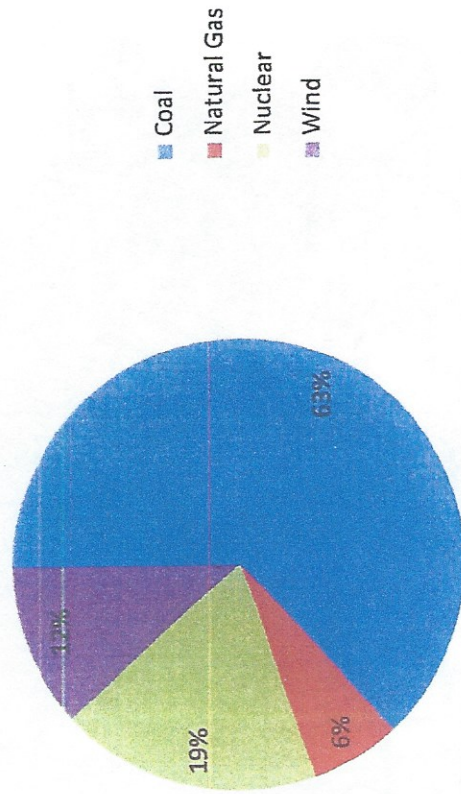
Data Sourced from Energy Information Agency,
EIA-923 and EIA-930 Reports

2012

Nameplate (MW) Capacity % by Type

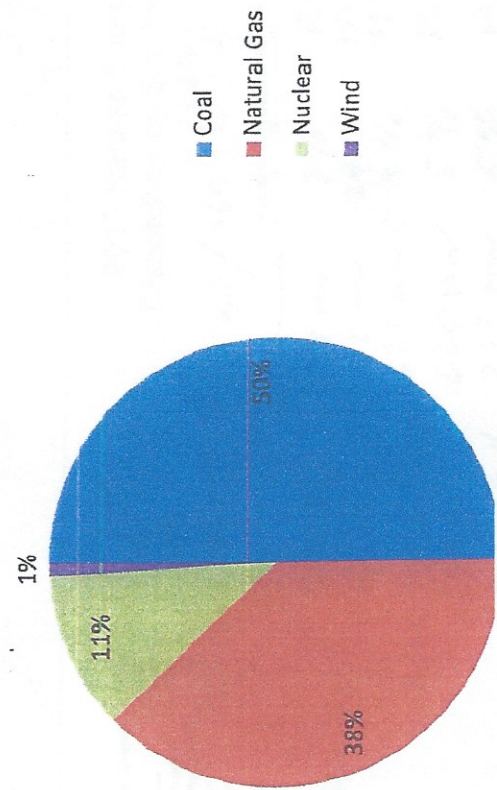


Net Generation (MWh) % by Type



2003

Nameplate (MW) Capacity % by Type



Net Generation (MWh) % by Type

