THE KANSAS CHAMBER
UNITED FOR BUSINESS

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Testimony before Senate Utilities Committee
SB 253 – RPS sunset
Presented by Mike O'Neal, Kansas Chamber CEO
In Support

Tuesday, March 10, 2015

Mr. Chairman and members of the Committee

On behalf of The Kansas Chamber, I appreciate the opportunity to appear in support of SB 253, which would sunset the renewable portfolio mandate in Kansas (RPS) on Jan. 1, 2016. As this Committee knows, from last year's Senate debate, repeal of the RPS in Kansas has been and continues to be a high priority for our organization, which is comprised of hundreds of key businesses and industries from across our state. Those businesses continue to rank high energy costs as a major concern annually, and a factor in their decisions to grow or potentially relocate. They appreciate the action you took last year in favor of the repeal of RPS. This bill, unlike last year's bill, would allow more time and would sunset Jan. 1, 2016.

Attached is our 2015 Kansas Chamber Legislative Agenda's Energy & Environment section. Your constituents oppose government picking winners and losers and, while they support renewable energy, they oppose mandates that drive up the cost of their utility bills.

Included in the Chamber's meaning of a "diverse portfolio of energy sources" is wind. **The Kansas Chamber supports the development of market-driven energy technologies, including wind.** This is not a debate about whether business supports or opposes wind as a part of a state's energy portfolio. Investments in renewable energy have become a part of every state's long-term economic outlook. Our State's share of renewable energy resources in total net electric power generation has increased substantially as touted by the Wind Coalition and as confirmed by the KCC. **(in-state avg. of 19.4% as of 2013)**

But state's with renewable energy mandates, as opposed to business incentives to voluntarily utilize a mix of energy sources and efficiencies, have experienced higher energy costs across all sectors and have experienced lower economic growth. RPS is not the sole driver of cost increases but is, unquestionably, a contributor. Primary cost drivers include environmental regulations forcing retrofits of existing energy plants, RPS mandates, redundancy required to offset dramatic wind speed fluctuations, the cost of idling traditional energy sources and transmission grid build-out.

As you well know, the current mandate, referred to as a renewable portfolio standard (RPS), was not the product of rigorous legislative study, deliberation and debate, but was a provision in a 2009 compromise that then Governor Parkinson insisted be included in legislation approving a scaled down expansion of the Sunflower coal-fired energy plant near Holcomb, KS. The federal EPA was

hammering states to enact renewable energy mandates. Legislators ended up voting for the compromise, not because we were convinced with the wisdom of a renewable energy mandate, but because the compromise containing the mandate was the only path available to win approval of the much-needed Sunflower plant expansion, an expansion that as of today is still unrealized. No one seriously contends that as a stand-alone proposition, a renewable energy mandate would have ever passed. This is not to say there is not support for renewable energy in Kansas. There was and is. The fact is that there was never a need for a mandate and there's certainly not a need for one now.

Attached to my testimony is a spreadsheet produced by the Kansas Legislative Research Department last year. It is a compilation of the wind farms as of 2013, all of which enjoy tax exempt status, while making payments in lieu of taxes representing but a small fraction of what their property taxes would otherwise be (net loss to counties of over $100M annually). Note that at least half of the listed wind farms existed before the RPS was enacted. Two more became operational the next year. No one can credit the RPS for the decisions wind farm developers made to invest in Kansas before 2009.

Also attached to my testimony are excerpts from the Wind Coalition presentation from earlier this session which provides updated information on wind energy utilization in the state and the status of projects, both planned and existing.

Kansas is, depending on who you talk to, either the 2nd or 3rd best wind resource state in the union. Kansas had that distinction long before 2009. The prospect of wind energy development was viable before 2009, as reflected in the significant wind farm development in Kansas before 2009. Are we really expected to believe that the absence of an RPS will spell the end of wind farm development in the state?

Governor Brownback's Office of the Repealer was established in January 2011 by Executive Order 11-01. The Governor's office reached out to The Kansas Chamber to survey our members to identify unnecessary laws and regulations. We advised him that repeal of the state RPS is a key plank in the Kansas Chamber's Board-approved Legislative Agenda and we have advised the Governor this is a priority issue for our members. He has acknowledged that the time has arrived for wind to stand on its own.

This debate is not about wind; it's about government mandates in a free-market state. Do we want to be known as a wind-friendly free-market state or a government mandate state? Wind energy, as a renewable energy source, is here to stay. It's time that it stood on its own as part of a market-driven vs, government-mandated energy policy. Instead of continuing to fight for an unnecessary mandate, the wind industry should be celebrating the day the training wheels come off.

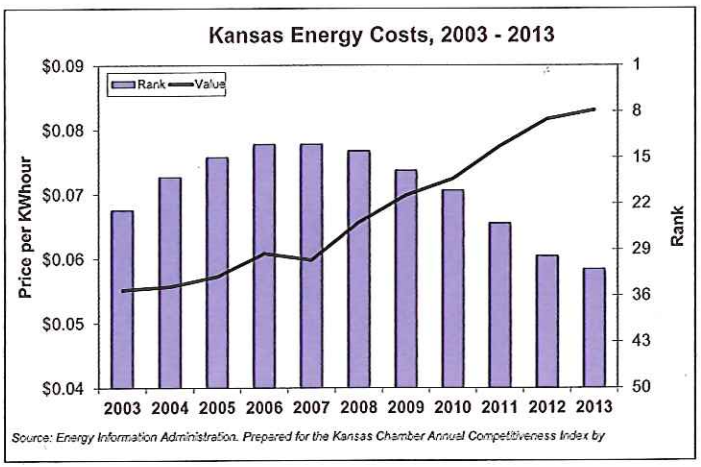
Energy & Environment*

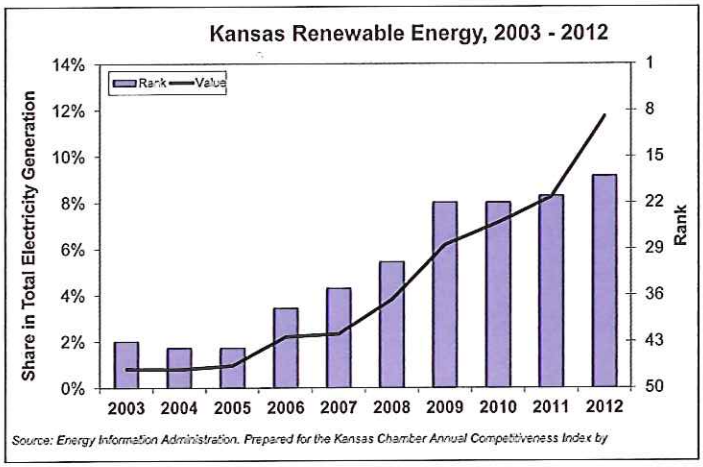
promote market-driven solutions to reduce energy costs

The Kansas Chamber supports efforts to maintain a comprehensive energy policy that balances a diverse portfolio of energy sources and technologies, and will:

- Avoid picking winners and losers among energy sources and technologies.
- Support incentives for businesses to voluntarily utilize energy more efficiently versus penalties and/or mandates.
- Oppose mandates and policies that increase business costs when sourcing energy.
- Support repeal of the Renewable Portfolio Standard (RPS) mandate.
- Promote the development of market-driven energy technologies.

** Both a federal and state issue*





WHAT'S IT MEAN?

Although of less importance than labor, health insurance, and taxes, energy costs are nonetheless a core concern of employers especially for energy-intensive Kansas industries such as transportation, equipment manufacturing, and agriculture, and they are highly variable across states. Kansas average industrial and commercial electricity prices have seen a rapid increase over the decade and especially since 2007, and its ranking has continuously dropped from a high of 13th to a current 32nd place, placing it below all states in the 6-state region.

WHAT'S IT MEAN?

With the continuing depletion of natural energy resources and increasing environmental concerns, investments in renewable energy have become a part of every state's long-term economic outlook. Kansas share of renewable energy resources in total net electric-power generation accelerated between 2005 and 2009, tapering off in its ranking during the recession but putting it at rank 18 in 2012.

Renewable Electricity Mandates
Avg. Price of Electricity, June 2012
(Prices in cents per kilowatt hour)

	Residential	Commercial	Industrial	All Sectors	Avg. Annual Real per capita GDP Growth 2010-2012
With REM	$0.13	$0.11	$0.08	$0.11	1.17%
Without REM	$0.09	$0.08	$0.06	$0.08	1.21%

Source: Institute for Energy Research

WHAT'S IT MEAN?

As with most of its neighbors, Kansas has instituted a renewable energy mandate. However, research has shown that states with renewable energy mandates have experienced significantly higher energy costs across all sectors and have experienced slightly lower economic growth (Institute for Energy Research).

2013 PILOT/Donation Payments and Estimated Tax for Tax Exempt Wind Farms with a 2013 Vaulation for the Completed Project

Project Name (County)	Size (MW)	In Service Year	2013 PILOT/ Donation Payment	2013 Est. Tax Based on Avg. Co. Rural Levy	Length of PILOT	Description of PILOT
Gray County	112	2001	$224,400	$226,387	Until commercial operation ceases	Annual 2% increase. Previous PILOT (2001-2011) was higher – increased annually by CPI on base of $305,000.
Elk River (Butler)	150	2005	$150,000	$537,952	15 years	First payment in 2006, $150K/year
Spearville 1 (Ford)	100.5	2006	$257,021	n/a	30 years	2007, $221,628; 2.5% annual increase thereafter
Meridian Way (Cloud)	201	2008	$300,000	$3,122,282	20 years	2010, $100K; 2011, $150K; 2012, $200K; 2013-2029, $300,000
Smoky Hills I (Lincoln/Ellsworth)	100.8	2008	$300,000	$2,855,096	10 years	2007, $400K; 2008–2016, $300K.
Smoky Hills II (Lincoln/Ellsworth)	148.5	2008	$441,964	$2,197,892	10 years	2008, $589,286; 2009-2017, $441,964
Central Plains (Wichita)	99	2009	$265,192	n/a	10 years	2010, $2,500/MW; annual increase by Sept. CPI thereafter but not to exceed $320,000
Flat Ridge I (Barber)	100	2009	$216,486	$877,354	Until commercial operation ceases	2009, $200K; 2% annual increase thereafter
Greensburg (Kiowa)	12.5	2010	n/a	$388,938	n/a	No PILOT
Spearville 2	48	2010	$288,539	n/a	30 years	2011, $274,636; 2.5% annual increase thereafter
Caney River (Elk)	200	2011	$936,360	$9,450,778	20 years	2011, $4,500/MW installed capacity; 2% annual increase thereafter
Cimmaron I (Gray)	165	2012	$414,000	$11,127,518	Until termination of PPAs	2013, $2,500/MW installed capacity; 2% annual increase thereafter, but not to exceed $3,400/MW
Cimmaron II (Gray)	131	2012	$327,500	$6,523,028	Until termination of PPAs	2013, $2,500/MW installed capacity; 2% annual increase thereafter, but not to exceed $3,400/MW
Ensign (Gray)	98.9	2012	$247,250	$5,755,613	Until commercial operation ceases	2013, $2,500/MW installed capacity; 2% annual increase thereafter
Flat Ridge II (Barber, Harper, Kingman)	470.4	2012	$1,410,300	$34,457,742	Until commercial operation ceases	2013, generally $3,000/MW installed capacity; 2% annual increase thereafter, some timing differences between counties
Ironwood (Ford)	167.9	2012	$422,432	$11,148,783	Until commercial operation ceases	Annual increase of 3.07% beginning in 2014
Post Rock (Lincoln, Ellsworth)	201	2012	$643,200	$14,895,936	10 years	$3,200/MW, no increases

2013 PILOT/Donation Payments and Estimated Tax for Tax Exempt Wind Farms with a 2013 Vaulation for the Completed Project

Project Name (County)	Size (MW)	In Service Year	2013 PILOT/ Donation Payment	2013 Est. Tax Based on Avg. Co. Rural Levy	Length of PILOT	Description of PILOT
Shooting Star (Kiowa)	105	2012	$700,000	$6,014,498	30 years, then renegotiate	Beginning 2013: Years 1-6, $6,666.67/MW; Years 7–25, $4,761.90/MW; Years 26-30, previous year's payment adjusted for CPI increase
Spearville 3 (Ford)	100.8	2012	$253,460	$7,552,740	Until commercial operation ceases	Annual increase of 3.1% beginning in 2014
Buffalo Dunes (Finney, Grant, Haskell)	202	2013	$858,500	n/a	20 years - Grant & Haskell; 10 years - Finney	2013,Grant & Haskell $3,750/MW installed capacity; 2% annual increase thereafter. 2013 Finney - $500/MW installed capacity, 2% annual increase thereafter. Note: Finney Co. payment is for transmission lines & related infrastruture - no turbines there.
Total 2013 PILOT Payments			**$8,656,604**			

NOTES:

Wind farms owned by utilites are not valued separately from the entire utility, so contain "n/a" in the estimated tax column. This includes Spearville I and II (KCP&L) and Central Plains (Westar).

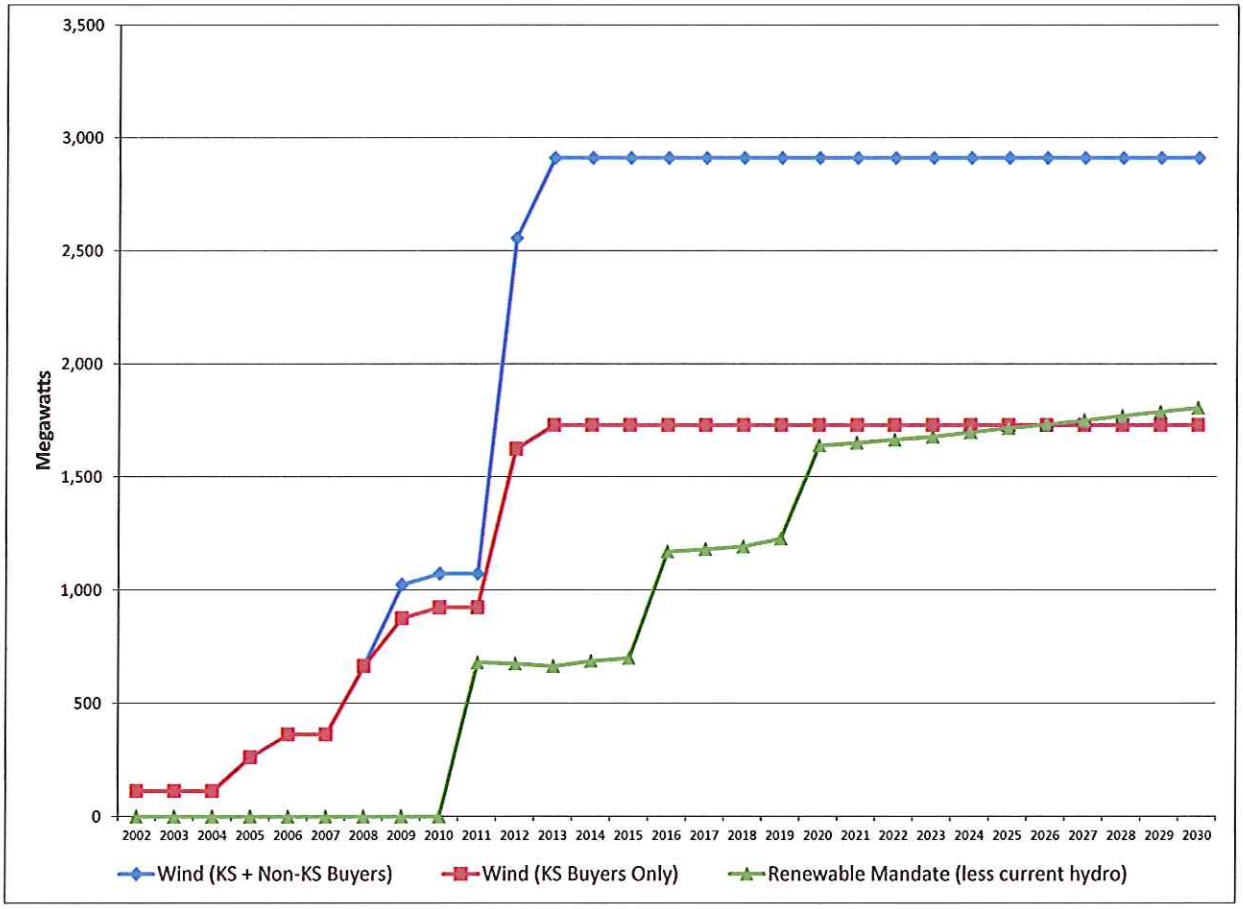
Wind farms that went into operation in 2013 will have an initial valuation for the completed facility as of 1/1/14, available in summer 2014. This applies to Buffalo Dunes.

Estimated tax for wind farms that went into operation from 2011 to the present is significantly higher than for older wind farms, which reflects a difference in the method of determining value. When a facility is new, value is based on the cost to construct. After it has been in operation it is valued based on income generated, often an average of several years.

2013 Estimated Tax Amounts were provided by the Kansas Department of Revenue, Property Valuation Division.

PILOT amounts and descriptions are from contracts obtained from County Treasurers.

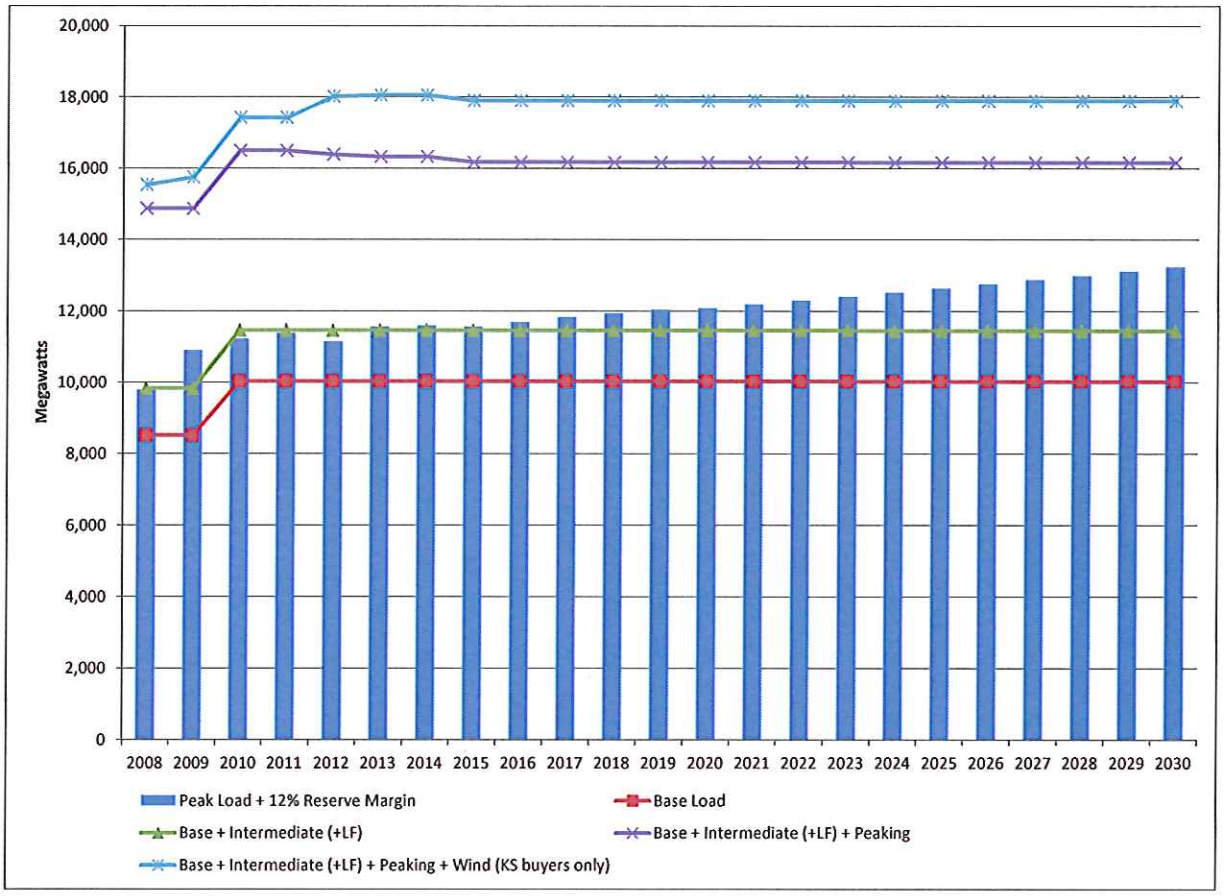
Chart 1:
Wind-Powered Electricity Generation on Kansas Soil (Nameplate Capacity)



Source: Kansas Corporation Commission, "Report on Electric Supply and Demand, 2014"
Note: Includes the Kansas Power Pool, even though that organization is not statutorily obligated to comply with the renewable mandate.

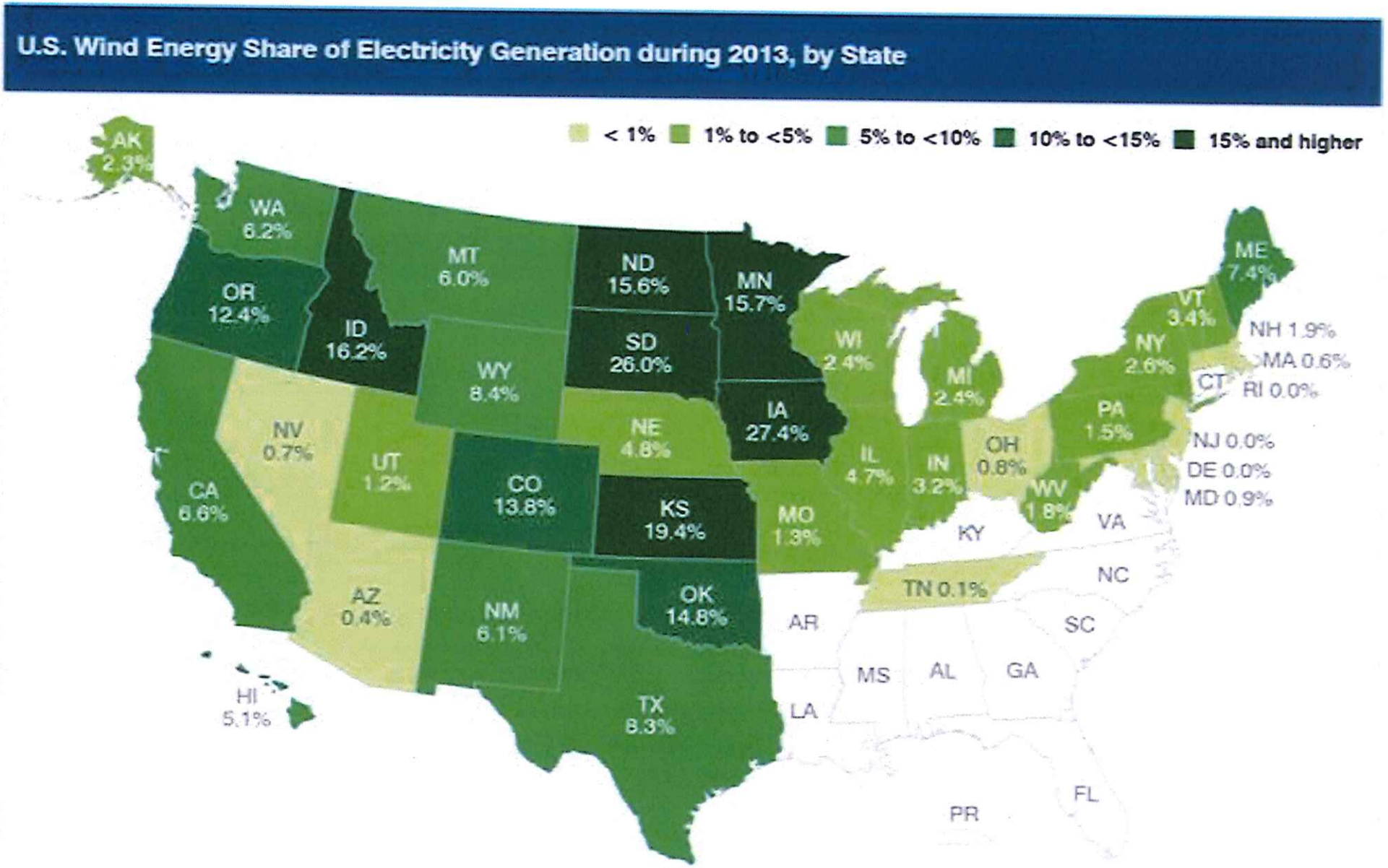
Aggregate Compliance-Related Renewable Electricity Generation Capacity: Surplus or Deficit (-)											
Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Megawatts	237	225	212	198	211	189	164	146	45	20	3

Chart 2:
A Profile of the Kansas Electricity System



Source: Kansas Corporation Commission, "Report on Electric Supply and Demand, 2014"
Note: Does not include Westar's planned retirement of 688 MW in 2022. The company is obliged to replace it.

U.S. is reliably integrating large amounts of wind



Operating Kansas Wind Projects – End 2014

Project Name	County	Developer	Size (MW)	Power Offtaker	Turbine Type (MW)	Installed Turbines	In-Service Year
Gray County	Gray	NextEra	112	MKEC KCP&L	Vestas 660kW	170	2001
Elk River	Butler	Iberdola	150	Empire	GE 1.5	100	2005
Spearville Spearville II	Ford	enXco	100.4 48	KCP&L	GE 1.5	67 48	2006 2010
Smoky Hills Phase I	Lincoln/ Ellsworth	TradeWind Energy	100.8	Sunflower – 50 KCBPU- 25 Midwest Energy – 24	Vestas 1.8	56	2008
Smoky Hills Phase II	Lincoln/ Ellsworth	TradeWind Energy	150	Sunflower – 24 Midwest – 24 IP&L – 15 Springfield -50	GE 1.5	99	2008
Meridian Way	Cloud	Horizon EDP	201	Empire – 105 Westar - 96	Vestas 3.0	67	2008
Flat Ridge	Barber	BP Wind Energy	100	Westar	Clipper 2.5	40	2009
Central Plains	Wichita	RES Americas	99	Westar	Vestas 3.0	33	2009
Greensburg	Kiowa	John Deere/ Exelon	12.5	Kansas Power Pool	Suzlon 1.2	10	2010
Caney River	Elk	TradeWind Energy	200	Tennessee Valley Authority (TVA)	Vestas 1.8	111	2011

Operating Kansas Wind Projects – End 2014

Project Name	County	Developer	Size (MWs)	Power Offtaker	Turbine Type (MW)	Installed Turbines	In-Service
Post Rock	Ellsworth Lincoln	Wind Capital Group	201	Westar	GE 1.5MW	134	2012
Ironwood	Ford Hodgeman	Infinity Duke Energy/ Sumitomo Corp. of America	168	Westar	Siemens 2.3MW	73	2012
Cimarron I	Gray	Competitive Power Venture (CPV) NextEra	165	Tennessee Valley Authority (TVA)	Siemens 2.3MW	72	2012
Cimarron II	Gray	CPV Duke Energy/ Sumitomo	131	KCP&L	Siemens 2.3MW	57	2012
Shooting Star	Kiowa	Clipper Infinity	105	Mid-Kansas Electric	GE 1.6MW	65	2012
Flat Ridge 2	Barber, Kingman, Harper & Sumner (gen tie line)	BP Wind Energy	470.4	AECI – 310.4 Arkansas Electric -51.2 SWEPCO - 108.8	GE 1.6MW	294	2012
Spearville 3	Ford	enXco (EDF Renewable Energy	100.8	KCP&L	GE 1.6MW	63	2012
Ensign	Gray	NextEra	99	KCP&L	Siemens 2.3M	43	2012
Buffalo Dunes	Finney, Grant, Haskell	TradeWind Energy	202	Alabama Power	TBD	TBD	2013

Announced Wind Projects

Project Name	County	Developer	Size (MWs)	Power Offtaker	Turbine Type (MW)	Installed Turbines	In-Service
Marshall Wind	Rush	RPM Access Wind Development	74	Missouri Joint Municipal Electric Utility Commission			2015
Buckeye Wind	Ellis	Invenergy	200	Lincoln Electric System			2015
Western Plains	Ellis	Infinity	400	To Be Announced			2015
Alexander Wind	Rush	NJR Clean Energy Ventures	49.5	KCBPU & Yahoo	Siemens 2.3 MW		2015
Waverly Wind	Coffey	EDP Renewables	200	KCP&L	Gamesa 2.0 MW		2016
Slate Creek Wind	Sumner	EDF Renewable Energy	150	Great Plains Energy	Vestas 2.0 MW		2015
Cedar Bluffs Wind	Ness Trego	NextEra Energy Resources LLC	200	Westar			2015