



Written Testimony to the House Energy & Environment Committee

February 14, 2013

HB 2214

To: Representative Hedke and members of the House Energy & Environment Committee
From: Kevin Hazel, Vice President of Supply Chain Operations for the Americas Region of Siemens Wind Power

Mr. Chairman and members of the committee, thank you for allowing me the opportunity to provide written testimony in opposition to House Bill 2214.

In 2008, Siemens Wind Power began a search for the first expansion of nacelle and hub assembly beyond its headquarter operations in Denmark. Due to the huge size and weight of wind turbine components, location and logistics are among the main considerations for siting a manufacturing facility. Another key component is to be able to service the biggest portion of the wind market most efficiently. We used industry data to map that market for the next 10 years. A key market measure is the commitment to convert wind energy potential to realized energy generation, as in a state's Renewable Portfolio Standard.

In 2009, Siemens was excited to announce Hutchinson, Kansas as the site for our \$50+ million dollar facility to assemble nacelles and hubs. We were further encouraged by nearly simultaneous adoption of Kansas Statutes 66-1256 through 66-1262, validating the importance of wind energy to Kansas.

At its peak in 2012, the plant employed 400 Kansans and supported significant economic activity by virtue of the more than \$500 million dollars of purchased materials that flowed into the plant. It was a very difficult decision last September to adjust the manufacturing, projects and administrative support functions of our wind power operations in the United States and Kansas.

While the plant continues to employ more than 150 today, uncertainty surrounding specific details of the renewed federal Production Tax Credit (PTC) and the future of the PTC beyond 2014 clouds the planning horizon. Although Siemens does not receive tax credits directly, our customers are hesitant to purchase turbines while this important federal policy is in flux.

As a technology leader, we accept the challenge presented by low natural gas prices and lingering recession effects. For our part, Siemens is investing in optimized production systems, in less complex and more efficient direct-drive technology, and in longer, more efficient blades. These measures are having an effect. According to industry consultants, average U.S. wind turbine prices have declined by some 30% since 2008, while energy production has increased by more than 25%, and these trends will continue.

This committee can do little about our slow economic recovery or unusually low natural gas prices. You can however, choose to keep your state's renewable portfolio standard intact to show Siemens and others that you value the investment the energy industry continues to make in Kansas and believe in the economic value that the excellent Kansas wind energy resource can so reliably deliver. Stable state level policy is imperative for Siemens and the entire industry.

Please do not pass House Bill 2214.