

Written Testimony Provided to the
Kansas Senate Utilities Committee
Topeka, Kansas

February 5, 2013

By

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Senate Bill 82

Chairman Apple and Members of the Committee:

On behalf of the Natural Resources Defense Council (NRDC), I thank you for the opportunity to provide written testimony to the committee regarding Senate Bill 82. Founded in 1970, NRDC is a national nonprofit environmental organization of scientists, lawyers, and environmental specialists with more than 1.3 million members and online activists, served from offices in Chicago, New York, Washington D.C., San Francisco, Los Angeles, and Beijing. We have over 9,000 members and online activists in Kansas.

My name is Kimiko Narita. I am the MAP Energy Fellow at the Chicago office of NRDC. I work predominantly on energy efficiency and renewable energy issues in the Midwest. I hold a bachelor's degree in Anthropology and a master's degree in Environment and Resources from Stanford University as well as a law degree from Stanford Law School.

My testimony will cover how the Renewable Portfolio Standard has been successful in Kansas, how reports to the contrary are inaccurate, and how S.B. 82 is a step backwards when Kansas has the momentum to become the leading state in wind energy.

As you know, in 2009, Kansas legislators approved House Bill 2369¹, the Renewable Energy Standards Act, by a 5-1 margin.² The standard requires that investor-owned utilities gradually increase renewable electricity generation so that by 2020, Kansas's energy mix will contain 20 percent renewable energy from sources like wind. This is a key policy made by Kansas's leadership that helps to bring the wind industry here. Recently, Governor Sam Brownback and U.S. Senators Pat Roberts and Jerry Moran championed the federal wind power production tax credit during the fiscal negotiations in Washington, D.C., protecting thousands of energy jobs for Kansas citizens and keeping the wind energy in the state.³

The Renewable Portfolio Standard Is a Key Piece of Policy the Grows Kansas's Economy

The Renewable Portfolio Standard has led to the creation of thousands of jobs in Kansas. A November 2012 Kansas Energy Information Network report found that the 19 wind farms currently operating in the state have created more than 12,300 jobs for Kansas citizens including more than 3,700 jobs directly

¹ <http://www.kansas.gov/government/legislative/bills/2010/2369.pdf>

² <http://votesmart.org/bill/votes/25627#.UO8MWeQ812A>

³ <http://moran.senate.gov/public/index.cfm/editorials?ID=7b7dba95-db8c-40db-9309-201bc4cddeca>

related to the construction and operation of the projects.⁴ With some of the best wind resources in the world, Kansas is positioned to continue this job growth.

In addition to job growth, hundreds of landowners have benefited from substantial land lease payments, and the local communities receive revenue from voluntary contributions wind developers provide. The wind industry provides \$13.7 million annually in lease payments and royalties to Kansas landowners and \$10.4 million per year in voluntary contributions to Kansas's state, county, and local jurisdictions.⁵

The Flat Ridge 2 project, the largest wind farm to be built in Kansas, is an example of how the Renewable Portfolio Standard spurs the local economy. Completed in January 2013, its 262 turbines in parts of Harper, Barber, Kingman and Sumner counties generate 419 MW of clean, renewable energy, which is equivalent to the amount of electricity necessary to power 125,000 homes. The project created about 500 construction jobs at peak and 30 positions to operate the facility in the long term. It also provides more than \$1 million to local communities on an annual basis as well as lease payments to landowners—all without disrupting farming and ranching operations.⁶

Studies Suggesting the Renewable Portfolio Standard Hurts Kansas's Economy Are Flawed

Despite the positive impact the Renewable Portfolio Standard has had on Kansas's economy, there is a report circulating in Kansas that states the contrary. In July 2012, the Beacon Hill Institute, a think tank nested within Suffolk University, along with the Kansas Policy Institute, released a study concluding that, by 2020, the Renewable Portfolio Standard would lead to electricity prices increasing by 45 percent and the loss of more than 12,000 jobs.⁷ This study is deeply flawed for a variety of reasons that I will review now.

- **It fails to recognize that Kansas is already close to achieving the standard's goals** – All six of the Kansas utilities currently have enough renewable energy generation in their portfolios to satisfy the RPS through 2015, and most have a significant surplus. Further, most utilities currently have more than enough renewable generation in their portfolios to satisfy the 15 percent threshold that will take effect from 2016 through 2019, and half have sufficient generation for the 2020 threshold already.⁸ Thus, if these drastic negative consequences would have happened when the utilities complied with the RPS, we should already see these negative consequences of the standard, and we do not.
- **It assumes the price of renewable energy will increase** – Beacon Hill assumes that the cost of wind and solar energy will increase over time despite widespread analysis conclusively showing that costs will continue to decrease by respected institutions including the Energy Information Administration, the Lawrence Berkeley National Laboratory, the National Renewable Energy Laboratory, Bloomberg, and Black & Veatch.⁹

⁴ http://kansasenergy.org/documents/PS-KEIN_KansasWindReport_1112.pdf?utm_source=Wind_Report&utm_medium=link&utm_content=Homepage&utm_campaign=Wind_RPS,%20http://www.kansasenergy.org/wind_projects.htm

⁵ *Id.*

⁶ http://www.semprausgp.com/_/downloads/pdfs/FactSht_FlatRidge2.pdf

⁷ <http://www.kansaspolicy.org/researchcenters/budgetandspending/budgetandspendingstudies/d95311.aspx?type=view>

⁸ See note 4.

⁹ http://www.windpoweringamerica.gov/pdfs/2011_annual_wind_market_report.pdf;
<http://emp.lbl.gov/sites/all/files/LBNL-5919e-PRESENTATION.pdf>; <http://www.nrel.gov/docs/fy12osti/54526.pdf>;
<http://www.bloomberg.com/news/2012-11-01/wind-farm-operating-costs-fall-38-in-four-years-bnef-says-1-.html>;
<http://bv.com/docs/reports-studies/nrel-cost-report.pdf>

- **It assumes new wind projects will have diminished returns** – Beacon Hill argues that because of the recent swift expansion of wind power, new projects will be built in areas that are less productive and more expensive to develop (though they do not cite any study or report). But there is still plenty of cost-effective wind resource available in the U.S. and specifically in Kansas, which ranks second in the nation in wind resources. Kansas’s wind resources could power the state’s electricity needs 90 times over,¹⁰ and more innovative turbines are being developed that can operate more efficiently at lower wind speeds and use less wind-intensive lands.¹¹
- **It does not consider how the Renewable Portfolio Standard has benefitted Kansas** – The report does not attempt to include economic benefits of renewable energy such as new manufacturing or construction jobs, new tax base, or new lease payments to landowners. The 19 wind farms in operation or under construction in Kansas have created about 12,300 jobs for Kansas citizens, with 3,700 jobs relating directly to the construction and operation of the projects. Kansas wind projects provide \$13.7 million annually in lease payments and royalties to Kansas landowners and \$10.4 million per year in voluntary contributions to Kansas’s state, county, and local jurisdictions.¹²

Senate Bill 82 Is a Step Backwards when Kansas is Ready and Able to Be the Wind Energy Leader

The combination of the production tax credit and the renewable portfolio standard means that Kansas has created a predictable and stable environment in which companies can invest in the state’s vast wind resources. This pro-growth strategy is what the wind energy industry needs from state legislators to further develop this industry.

Kansas is one of the most recent states to implement an RPS (in 2011), but already has proven itself a leader capable of achieving the benchmarks. As previously mentioned, all six of the Kansas utilities currently have enough renewable energy generation in their portfolios to satisfy the RPS through 2015, and most have a significant surplus.¹³ This shows that the goals of the RPS are reasonable and achievable as they stand. But Senate Bill 82 puts off the years to achieve future goals by two to four years. This is an unnecessary delay when most of the utilities are poised to achieve or exceed the benchmarks. Instead, Kansas should look to make their goals even more aggressive to encourage even more homegrown wind energy for Kansans.

Senate Bill 82 also proposes some language that gives the commission the discretion to delay portfolio requirements for an affected utility for a “specified period of time upon a showing of good cause.” While it is reasonable to provide a force majeure clause like this, the language presented is vague and could cause confusion, particularly when the regulations already provide that the utilities are not required to comply with these benchmarks if it would cause more than a 1 percent increase in electricity costs.¹⁴

Conclusion

The American Wind Energy Association just announced last week that in 2012 wind energy was the number one source of new U.S. electric generating capacity, providing 42 percent of all new electric capacity. Kansas was ranked an impressive third in the nation for new wind installations.¹⁵ The RPS played a critical part in that success by helping to create a predictable and stable environment in which

¹⁰ <http://www.awea.org/learnabout/publications/factsheets/upload/3Q-12-Kansas.pdf>; *see also*

http://www.windpoweringamerica.gov/wind_resource_maps.asp?stateab=ks

¹¹ <http://eetd.lbl.gov/ea/ems/reports/wind-energy-costs-2-2012.pdf>

¹² *See note 4.*

¹³ *See note 4.*

¹⁴ K.A.R 82-16-3(c).

¹⁵ <http://www.awea.org/newsroom/pressreleases/officialyearendnumbersreleased.cfm>

companies can invest in the state's wind resources, and with continued implementation, the RPS can advance Kansas's leadership in wind energy. Senate Bill 82 creates an unnecessary delay in achieving the goals of the RPS. Instead of stepping backwards, Kansas should push onwards and encourage more wind energy in the state.

Thank you for the opportunity to provide this written testimony.