



TO: Senator Stan Clark, Chair
Members of the Senate Committee on Utilities

FROM: Mike Palmer
Vice President of Commercial Operations

RE: Senate Bill 455 – An Act Related to Wind Energy

DATE: February 23, 2004

Good morning Mr. Chairman and Members of the Senate Committee on Utilities. My name is Mike Palmer and I am Vice President of Commercial Operations for The Empire District Electric Company based in Joplin Missouri, a Kansas corporation.

Thank you Mr. Chairman, and members of the committee, for the opportunity to speak today.

Empire is an investor-owned utility company serving approximately (156,000) customers in southeast Kansas, southwest Missouri, northeast Oklahoma and northwest Arkansas. Empire has approximately 10,000 customers in southeast Kansas.

Empire has a responsibility to develop a reliable, economical, and environmentally sound power supply to serve our customers. In the past, that has meant a mix of fossil fuels, such as coal and natural gas, as well as hydroelectric generation. Today, with technological advances and the Federal Production Tax Credit (PTC), wind energy is a viable alternative for our customers and the citizens of Kansas.

We do not feel a moratorium on wind projects is in the best interest of Kansas consumers nor Kansas resources. A two-year moratorium will be at odds with a

renewed PTC in federal legislation because the PTC opens the window of credit while a moratorium closes the window of construction. In essence, this moratorium would make Kansas wind projects an uneconomical energy alternative.

Upon renewal of the PTC, it is Empire's intention to pursue wind projects in Kansas, including projects in the Flint Hills region that are in proximity to transmission capable of delivering energy to our system. We are currently negotiating with a goal of procuring about 10% of our energy, or about 500,000 MWh's per year, from a Kansas project.

The demand for energy for customers and the region continues to increase. Empire has a large purchased power contract that soon expires, plus aging coal-fired generation that we plan to replace in order to continue to fulfill our obligation to serve. Wind energy is planned to be a part of the way we fulfill our obligation to provide energy to our customers. Empire also believes additional coal generation is needed and we continue to investigate those options.

Being an electric utility, one of our main concerns has been and will always be keeping our customers' rates competitive and stable. Wind energy has the potential to add some stability to the volatile natural gas market, which in turn provides security to energy consumers across the state. Wind energy also is less of a strain on other commodities, such as water. A 600-megawatt coal plant requires as much as six to seven thousand gallons of water a minute to operate.

Kansas has an opportunity to be a leader in green energy generation for the Midwest. Along with the environmental benefits from installing a zero emission power source, wind generation will also allow Kansas to be proactive regarding federally mandated renewable energy requirements. Not only would Kansans be able to avoid paying a premium for electricity generated in other parts of the country, but they would also be able to reap the environmental benefits of that energy here at home.

The winds of Kansas are a natural resource and have the ability to ensure Kansas is a net exporter of energy instead of being dependent on other states for wind power.

For these reasons we ask this committee not to pass this legislation nor impose a moratorium on wind project construction.

Thank you for your time, and I will be happy to answer any questions.

