



6201 College Boulevard, Suite 500
Overland Park, Kansas 66211
(913) 451-8788
Fax: (913) 451-6205
www.polsinelli.com

Testimony of
Alan Claus Anderson, Vice-Chair, Polsinelli Shughart Energy Practice Group
Scott W. White, Ph.D., Founder, Kansas Energy Information Network
J. Britton Gibson, Shareholder Attorney, Polsinelli Shughart Energy Practice Group
Luke Hagedorn, Associate Attorney, Polsinelli Shughart Energy Practice Group

Before the Joint Committee on Energy and Environmental Policy
Regarding Economic Impacts of the RPS and Wind Generation on the State of Kansas
November 20, 2012

Chairman Knox and Committee Members:

My name is Alan Anderson and I am a shareholder attorney and the Vice-Chair of the Polsinelli Shughart law firm's Energy Practice Group. Joining me this morning are Dr. Scott White, founder of the Kansas Energy Information Network, J. Britton Gibson, shareholder attorney in the Polsinelli Shughart Energy Practice Group, and Luke Hagedorn, associate attorney in the Polsinelli Shughart Energy Practice Group. Thank you for allowing us to appear before you today to discuss the economic impacts of the Kansas Renewable Portfolio Standard generally, and wind energy generation projects specifically, on the state of Kansas and its citizens.

In addition to our testimony this morning, Dr. White, Mr. Gibson, Mr. Hagedorn and I have prepared a written report entitled "The Economic Benefits of Kansas Wind Energy" (the "Report"). Copies of this report have been distributed to the Joint Committee Members this morning, but the full Report will also be made available online at the Polsinelli Shughart website, <http://www.polsinelli.com/files/upload/StudyKansasWind.pdf>. My testimony this morning is intended to summarize the key findings contained in this report, but we encourage the Joint Committee Members and any other interested parties to review the report for a more complete analysis of these important issues.

A. OVERVIEW

In the last decade, numerous wind energy generation projects spanning the state of Kansas have come online. While it is clear that the nineteen wind energy projects currently in operation and under construction in Kansas have significantly impacted the Kansas economy at the local, county and state levels, specific data about the actual economic impacts generated by these projects is not readily available. This report provides empirical, factual data based upon reports and actual experiences of Kansas citizens, utilities, and project developers. The report then seeks

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to compare that empirical data against non-partisan academic studies of the potential economic impacts of wind generation for state and local economies.

B. KEY FINDINGS

The key findings of our Report are as follows:

1. New Kansas wind generation is cost-effective when compared to other sources of new intermittent or peaking electricity generation.

Dockets filed for recently built utility energy projects indicate that wind projects are providing Kansas utilities with cheaper power per megawatt-hour (“MWh”) than other forms of intermittent or peaking electricity generation, including natural gas. As a result, the impact on electricity rates for retail customers for new wind generation is roughly equivalent to, or often less than, the rate impact that would be caused by other forms of new generation.

Actual Costs Per MWh of New Non-Baseload Generation in Kansas

Natural Gas (Emporia Energy Center)	Wind: Utility-Owned (Central Plains, Flat Ridge)	Wind: Power Purchase Agreements (Ironwood, Post Rock)
\$45.63	\$44.87	\$35.00

2. Wind generation is an important part of a well-designed electricity generation portfolio, and provides a hedge against future cost volatility of fossil fuels.

Wind generation is not intended to be a substitute for coal or natural gas generation, but instead plays an important role in balancing a utility’s load demands and offsetting volatile fuel costs. Because the bulk of wind generation costs are paid upfront (or set at a predetermined rate for the life of the project in the case of wind power purchased through a power purchase agreement), utilities use wind generation to introduce known costs into their long-term portfolios to hedge against the future cost volatility of fossil fuels.

3. Wind generation has created a substantial number of jobs for Kansas citizens.

Based upon empirical data from each of the Kansas wind farms and economic studies conducted by third-party sources, Kansas wind generation has created a significant number of jobs for Kansas citizens:

Jobs Created by Kansas Wind Generation

Total Impact	Per MW	Per Avg. Project (150 MW)

Job Creation			
Total Jobs Created	12,316	4.65	697.02
Jobs (Construction Phase)	3,484	1.39	208.50
Jobs (Operation Phase)	263	0.10	14.52
Jobs (Indirect & Induced)	8,569	3.16	474.00

4. Wind generation has created significant positive impact for Kansas landowners and local economies.

Empirical data from each of the Kansas wind farms and economic studies conducted by non-partisan sources indicate that Kansas wind generation has created the following additional economic impacts for the state:

Additional Economic Benefits of Kansas Wind Generation

	Total Impact	Per MW	Per Avg. Project (150 MW)
Landowner Lease Payments			
Annually	\$13,673,302	\$4,639	\$695,850
Over 20-Year Project Life	\$273,466,040	\$100,761.25	\$15,114,187.91
Donation Agreements and Community Contributions			
Annually	\$10,414,609	\$3,837.37	\$575,604.77
Over 20-Year Project Life	\$208,292,180	\$76,747.40	\$11,512,095.40

5. The Kansas Renewable Portfolio Standard is an important economic development tool for attracting new businesses to the state.

Sustainability is an increasingly important factor to companies looking to locate new facilities and the RPS is the most visible symbol to companies evaluating a state's commitment to sustainability. Should the RPS be eliminated, or reduced to a non-material level, a similarly clear negative message would be sent to those companies that include sustainability as a factor in site selection.

C. CONCLUSION

Kansas is fortunate to be in a position to truly be a leader in an “all-of-the-above” energy strategy and, while there have been some attempts to guess at the impact of what wind energy development has done and will continue to do for the Kansas economy, there had not been a good study evaluating the data as to what has actually happened. Fortunately, because the Kansas utilities have embraced wind energy generation as a valuable component of their energy portfolios and made significant strides towards accomplishing the state’s RPS goal of twenty percent renewable energy by the year 2020, the data that is required to do this economic analysis is now publicly available.

Based upon empirical data from the wind energy projects currently operating and under construction in the state, we can make the following conclusions:

- 1.) New Kansas wind generation is cost-effective when compared to other sources of new electricity generation, as substantiated by the public reports filed by the utilities with the KCC.
- 2.) Wind generation is an important part of a well-designed electricity generation portfolio, and provides a hedge against future cost volatility of fossil fuels.
- 3.) Wind energy generation has provided a substantial number of jobs for Kansas citizens, and provides important economic benefits for landowners and local economies.
- 4.) The Kansas Renewable Portfolio Standard (RPS) is an important economic development tool for attracting new businesses to the state.

It was our objective when drafting this Report to facilitate thoughtful policy discussions about these issues, as they will remain important to Kansas now and in the years to come. We hope that the Member of this Joint Committee will find it useful as they evaluate critical energy policy issues for the state in the upcoming legislative sessions.