

Citizens' Utility Ratepayer Board

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HOUSE UTILITIES COMMITTEE H.B. 2038

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
January 26, 2009

Chairman Holmes and members of the committee:

Thank you for this opportunity to offer testimony on H.B. 2038. The Citizens' Utility Ratepayer Board is opposed to this bill for the following reasons:

- This bill requires new "fossil-fuel" generation units built after January 1, 2009 to have emission controls that capture or sequester 90% of emitted sulfur dioxide, mercury and nitrogen oxides, and 45% of flue gas carbon. While the technology to control emissions of sulfur dioxide, mercury and nitrogen oxides is well understood, the technology to capture and sequester carbon is not well understood and generally not commercially available.
- The bill does not define "fossil-fuel" generation unit. This could include natural gas generation units, which are necessary to economically meet growing peak generation needs in the summer. If the intent of the bill is to reduce carbon emissions over time, natural gas units can provide a lower carbon generation option to bridge the gap in time until carbon capture and sequestration technology is available. However, without carbon capture technology commercially available, no natural gas generation unit can meet the requirements of this act and none will be built.
- The bill mandates (Section d) the "commission *shall* permit full cost recovery and a return on investment" for any electric utility that adopts certain specified technologies. This language eliminates any ability of the KCC to disallow any expenditure on these technologies regardless of how excessive and regardless of how imprudent. This eliminates any ability of the KCC's (and CURB) to protect consumers and insure just and reasonable rates.
- The bill (Section e) creates a preference to purchase electric baseload power, when necessary, from plants that utilize carbon capture and sequestration technology, unless the purchase will increase "rates to consumers by more than 15%". Purchase power costs are a small percentage of most utility consumer "rates". This preference may be impossible to actually comply with in the market since carbon capture and storage does not appear readily available anytime in the near future, and a market purchase may not be

unit specific. However, if this section is passed, it must be clarified that the purchase power preference is applicable only power less than 15% above the cost of other power options in that market, rather than the overall “rates” to consumers.

- The bill creates a renewable portfolio standard, requiring 15% of a utilities peak load be generated from renewable sources by 2015, 18% be renewable by 2018 and 20% be renewable by 2020. CURB supports expanding the level of renewable energy in utility generation portfolios, but does not support laws that mandate a specific percentage of renewable generation by specific dates. This removed the cost to consumers from the decision criteria and removes utility bargaining power to acquire renewable resources at the lowest cost for consumers.

The mandates contained in this bill, especially those related to carbon capture and storage will have a large impact on consumer rates. Before placing these types of mandates on generation CURB believes that additional study should be conducted on the availability of technology to capture and sequester carbon and the economic cost of applying this technology. Further, under no circumstance should the legislature pass a bill with the language contained in Section d, requiring the KCC “shall allow cost recovery”. This type of blank check with no oversight only serves to harm consumers.

Thank you.