

Testimony Related to SB 433
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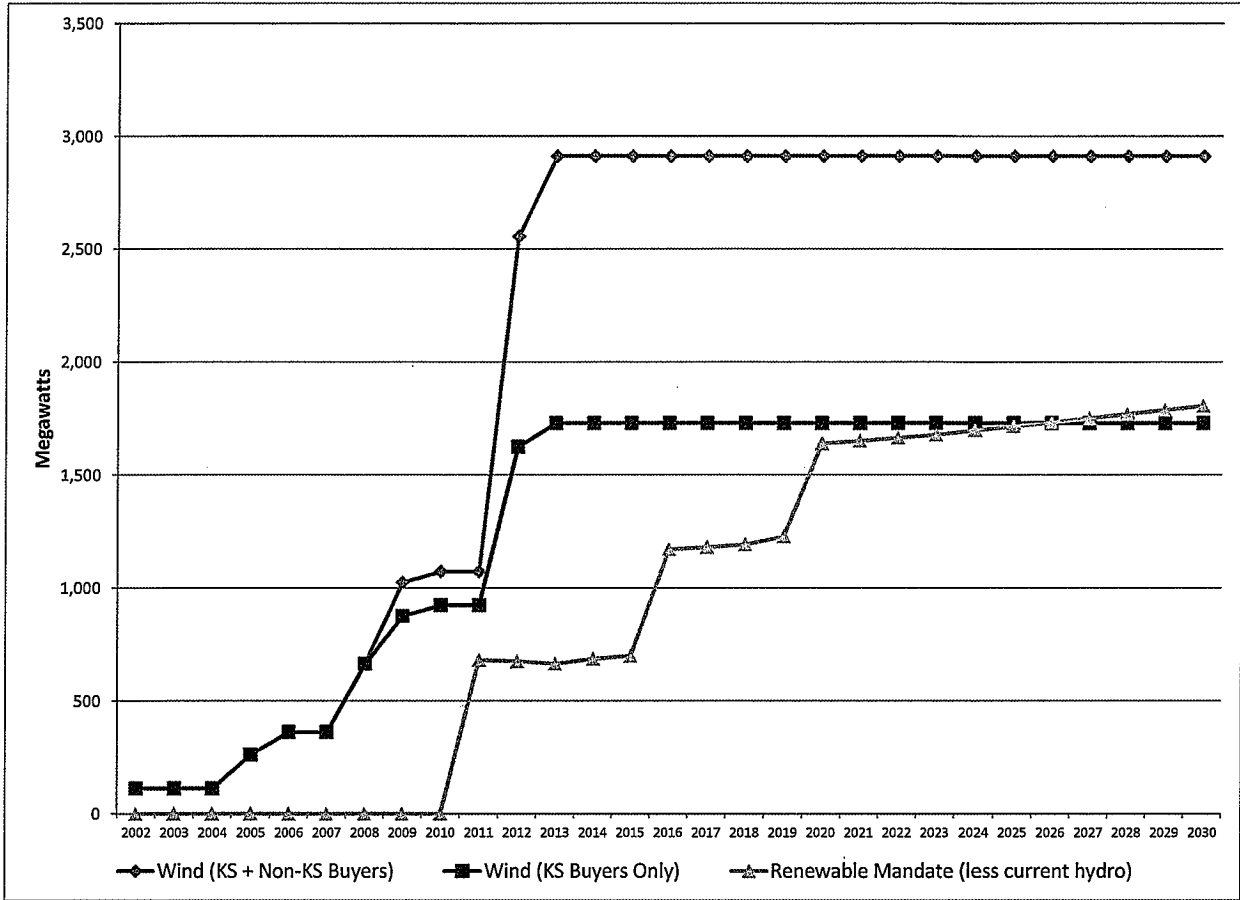
Submitted to the Senate Standing Committee on Utilities
March 19, 2014

Key Points

- The evidence indicates that investors began developing Kansas wind assets many years before the Renewable Portfolio Standard (or Renewable Energy Standard) became a political discussion in Kansas. Unless the purpose of the mandate is explicitly to force Kansas consumers to buy electricity from a particular type of generation source, then the Kansas Renewable Energy Standards Act was never needed.
- Some advocates use the so-called “infant-industry” argument to rationalize the economic importance of the Renewable Energy Standards Act. If that argument ever had validity—and the evidence indicates that it never did—the argument is no longer valid. The data presented below—and the evidence regularly promulgated by advocates for the wind industry in support of the Renewable Energy Standards Act—demonstrates that the Kansas wind industry has become well-developed and remains economically healthy.
- Maintaining special privileges for an economically healthy industry is a form of crony capitalism—not authentic economic development. Crony capitalism is a corrupted form of economic competition that allows certain businesses to profit from the result of legal protection rather than from legitimate economic competition for consumers’ loyalty.
- Research across different economies consistently shows that prosperity—sustainable economic development—results from authentic economic competition, because it forces entrepreneurs to discover business models that actually work for consumers making free choices. Longer-term, it is possible that the Renewable Energy Standards Act may become detrimental to the development of Kansas wind resources by making uneconomic tomorrow’s superior technologies as a result of mandating the implementation of today’s technology.
- Economic mandates are anti-entrepreneurship and anti-innovation. Wind is a Kansas asset; it is not going anywhere. Kansans will be served best by attracting entrepreneurs that can develop wind energy profitably on a level playing field. Success does not depend on perpetuating crony capitalism.

* The viewpoints expressed by Art Hall are his alone, based on his research and independent judgment; they should in no way be interpreted as representing the viewpoints of the University of Kansas (or any sub-unit thereof) or the Kansas Board of Regents.

Chart 1:
Wind-Powered Electricity Generation on Kansas Soil (Nameplate Capacity)

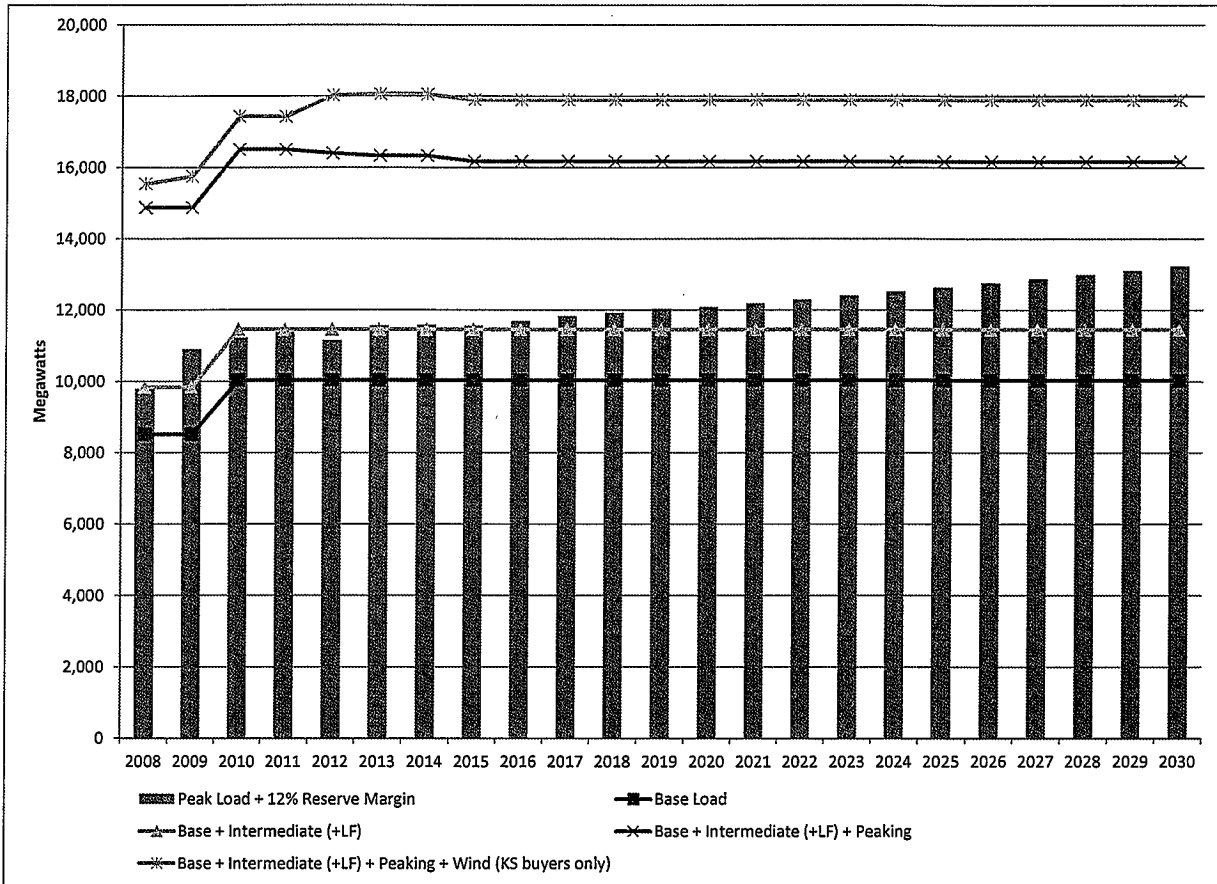


Source: Kansas Corporation Commission, "Report on Electric Supply and Demand, 2014"

Note: Includes the Kansas Power Pool, even though that organization is not statutorily obligated to comply with the renewable mandate.

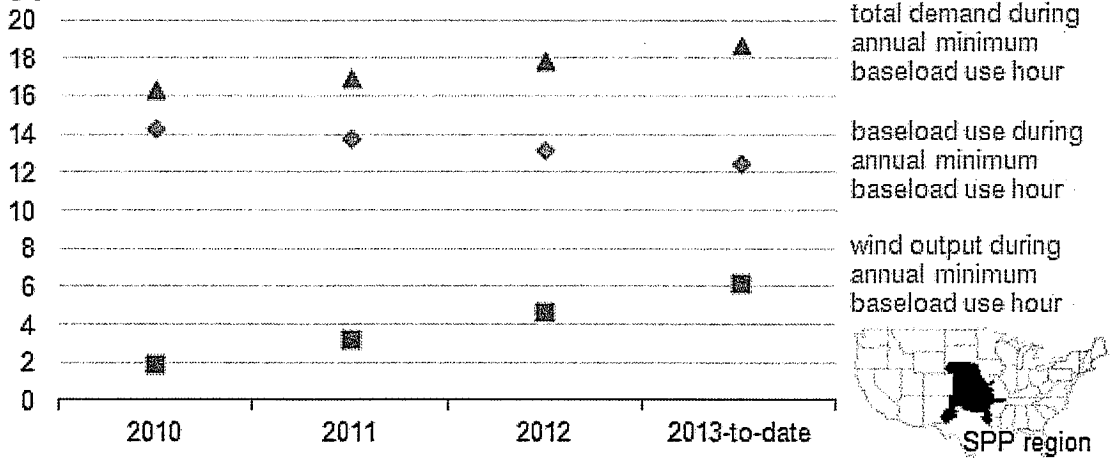
Aggregate Compliance-Related Renewable Electricity Generation Capacity: Surplus or Deficit (-)											
Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Megawatts	237	225	212	198	211	189	164	146	45	20	3

Chart 2:
A Profile of the Kansas Electricity System



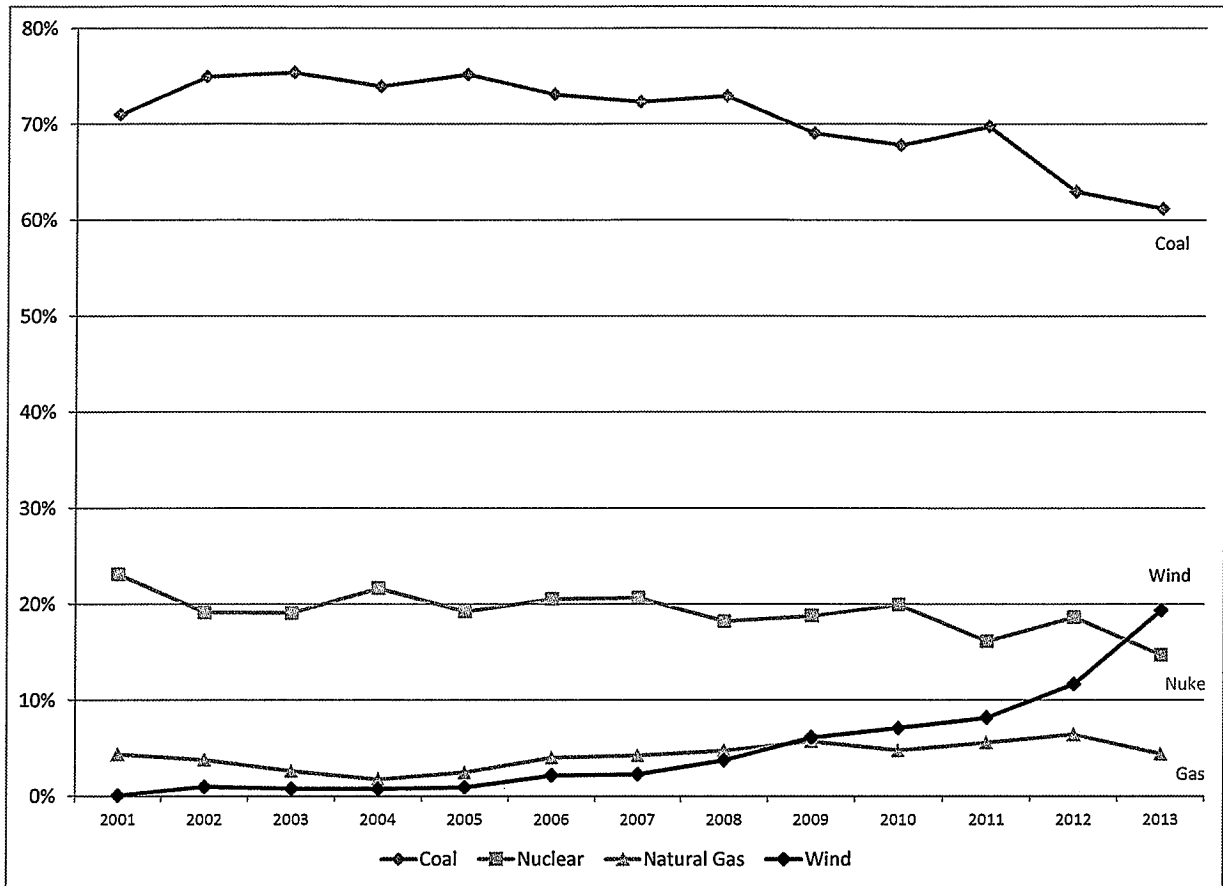
Source: Kansas Corporation Commission, "Report on Electric Supply and Demand, 2014"
 Note: Does not include Westar's planned retirement of 688 MW in 2022. The company is obliged to replace it.

Chart 3:
Total electricity demand, wind output, and use of baseload capacity during annual minimum baseload use hours in the Southwest Power Pool (2010-13) gigawatts



Source: U.S. Energy Information Administration, "Higher Wind Generation in the Southwest Power Pool is Reducing Use of Baseload Capacity," September 5, 2013. <http://www.eia.gov/todayinenergy/detail.cfm?id=12831>

Chart 4:
Share of Net Electricity Generation on Kansas Soil by Fuel Source



Source: U.S. Energy Information Administration