



March 15, 2012

**House Bill 2446
House Energy and Utilities Committee
Holly Carias, NextEra Energy Resources**

Chairman Holmes and Members of the Committee:

I am Holly Carias, Director of Wind Development at NextEra Energy Resources. I wanted to thank you for this opportunity to address this amendment to the Renewable Energy Standards (RES) Act.

NextEra Energy Resources, LLC is a competitive energy subsidiary for NextEra Energy, Inc, a Fortune 200 Company. NextEra Energy Resources has a portfolio of facilities totaling more than 16,700 net megawatts of generating capacity in the United States and Canada. Approximately 95% of our portfolio is derived from clean or renewable resources, including wind, solar, hydro, natural gas and nuclear energy. We are the largest owner and operator of U.S. wind generating facilities with 90 wind facilities capable of producing more than 8,900 megawatts. We are also the largest generator of solar power in the country.

I am here this morning to express our concerns with House Bill 2446. While our company supported the original amendment by the Committee, we can not support the bill as written from the Committee of the Whole.

The current renewable energy standards act is a good policy that provides certainty to the renewables industry and the electric utilities. It has proven to be economically beneficial to the state with 1,274 MW of wind energy installed at the end of 2011 and an additional 1,388 MW of wind energy projected to be installed by 2012. According to the American Wind Energy Association, in 2010 Kansas had between 500 and 1,000 direct and indirect jobs with wind farm owners paying \$3.7 million in annual property tax payments and \$3.8 million in annual land lease payments. At the end of 2011, seven wind manufactures were currently located in Kansas, and I have seen estimates for jobs in the wind industry in Kansas being as high as 1,200 direct and 2,400 indirect jobs.

For NextEra Energy's projects in Kansas, we have our existing Gray County Project which is a 112.2 MW project located near Montezuma in Gray County, and we are building an adjacent Ensign Project which will be a 98.9 MW project also located in Gray County. These projects combined will pay approximately \$850,000 in annual land lease payments, over \$1 million in payroll, and over \$470,000 to the county for Payment in Lieu of Taxes (PILOT) Agreements. These PILOT Agreements are the first to be signed guaranteeing payment for the entire life of the project. Our Ensign project is also furthering economic development in the state since we will be utilizing nacelles built in the Siemens plant in Hutchinson.

Not only has the Renewable Energy Standard improved economic development for the state of Kansas, the cost for wind energy has significantly been reduced in recent years. This has been caused by two main factors: turbine prices have decreased by approximately 30% and the turbine efficiency has increased by an approximate 25%. This has enabled lower Power Purchase Agreement prices and ultimately lower prices to the customers. Our company recently signed a 25-year Power Purchase Agreement with Xcel Energy for the Limon II project in Colorado for a price of \$27.50/MWh (2¢/kWh) with a 2.77% annual escalator. Xcel indicated that a half of the bids from their December 2010 RFP were 20% less expensive than bids from their

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2009 RFP and a third of the bids were 30% less expensive. This demonstrates the substantial reduction in wind energy that occurred in only one year.

If the Federal Production Tax Credit does expire and wind energy costs increase significantly, the mechanism is in place so that utilities do not need to comply with the RES. Under the Kansas statutes if meeting the RES causes the affected utilities total revenue requirements to increase by one percent or greater, then the Kansas Corporation Commission can exempt the affected utility from any administrative penalties for failure to comply with the RES.

Not only are the wind prices reasonable for utilities, these wind projects have a 25-year project life. Our Gray County Wind Project was built in 2001, and we project an additional 15-20 years of life left for this facility. Our company also looks at older assets to repower them. This requires replacement of the older turbines with newer, more efficient turbines. In California, we completed the 78.2-MW Vasco and the 49.5-MW Windpower Partners '93 repowering projects in California in 2011. The projects consisted of installing a total of 67 new wind turbines and removing 553 older operating wind turbines and associated infrastructure, including concrete foundations, transformers and electrical equipment. The new and larger turbines are more efficient, generating three times more electricity than the original turbines while significantly reducing overall impacts to birds. Also, removal of the old equipment has improved the site aesthetics and has been favorably received overall by the community.

Although NextEra prefers to repower our older facilities, in order to alleviate any landowner concerns we have addressed decommissioning in all of our agreements with the landowner. We are required per our wind farm easement agreements to remove all facilities associated with the wind farm down to a depth of 48 inches below the surface. In addition, we have recently signed PILOT Agreements with Gray County that also require both of our projects to post a surety bond to cover removal costs in the fifteenth year of operation. The proceeds from the Removal Bond will be paid to the County in the event that the removal and restoration has not occurred.

In closing, NextEra Energy believes that Kansas is a great state for the wind energy to prosper, and we feel that the RES is a great mechanism for encouraging continued economic development for Kansas. We will support House Bill 2446 (HB 2446) if lines 36-41 are removed from the amendment.

Thank you very much for your time, and I'm pleased to stand for questions at the appropriate time.