Testimony on House Bill 2711 by Craig Volland, Chair, Air Quality Committee of the Kansas Chapter, Sierra Club, Before the House Energy & Utilities Committee, Feb 6, 2008

A close examination of this bill shows that it is specifically designed to allow Sunflower to build their Holcomb project without significantly altering their current plans. It provides merely the grand illusion of actually addressing greenhouse gas emissions from the project. For example the Holcomb partners can obtain about 40% of the credits they need solely from existing wind farm projects in Kansas including one project built in 2001. They can take credit for any extra space on new transmission lines whether it is actually used for renewable energy or not. They get a ton of carbon credit for each dollar spent on research projects for a period ten years, whether they actually reduce or offset any emissions or not. That works out to only 10 cents per ton of carbon credits for expenditures they have already made on their algae reactor. They get three times the actual carbon avoided for conversion of cultivated land to pasture. This is convenient, since they must do this anyway on 30,000 acres whose water rights they obtained to run the coal plant. Why three times? Where did that come from? And so on.

The fact is, Holcomb would emit 11 million tons per year of carbon dioxide before this bill is passed, and it would emit 11 million tons per year after the bill is passed. That doesn't count the carbon emissions from burning diesel fuel to haul in 6.2 million tons of coal from Wyoming for 50 years and then haul back the empty coal cars.

The real question, and the White Elephant in the room nobody is talking about, is why Sunflower is still trying to build coal plants at all. Over 50 coal plant proposals in the US were abandoned or placed on hold in 2007 due primarily to soaring construction costs and the impending regulation of carbon by the US Congress. Westar put their coal plant proposal on hold last year and starting building wind farms. Just last week the US Department of Energy cancelled the FutureGen advanced coal-burning technology project because of massive cost increases.

In Monday's testimony, Sunflower CEO Earl Watkins stated that the Holcomb project would cost in the range of 5 cents/kwh. That's what a coal plant cost a year and a half ago, but not today. In recent KCC testimony Westar said that a new coal plant for start up in 2016 would cost from 7.5 to 8.0 cents/kwr.[1] Adjusting for plant size and a 2013 start date, Holcomb will likely cost about 6.7 cents/kwr.

That doesn't include the cost of impending carbon regulation by the US Congress which will trump anything the Kansas legislature comes up with. Experts estimate that this regulation will add about $25 per ton of CO_2, or an increase of over 35% for coal plant like Holcomb.[2] The Wisconsin PSC estimated a cost of $22/ton in a decision last year.[3] So now we are up to 9.2 cents/kwhr. *That's wholesale cost*. Wall Street is so alarmed that just this week they announced they would make it harder to finance coal plants.[4]

Midwest Energy President Ernie Lehman said that residential electricity rates are higher in western Kansas , averaging 10 cents/kwhr. His own company's rates, though, at 8.1 cents, are less than the 8.4 cents I pay in Kansas City, Kansas. But I think current retail rates are beside the point. What matters is what going to happen to rates in the future. The Holcomb project, far from lowering electricity rates in western Kansas, will saddle the region with an increasingly expensive and obsolete coal burning technology for 50 to 75 years.

Something else Earl Watkins said made me realize, as a former financial analyst, what the central problem really is. Sunflower is unable to accrue equity and raise capital on their own. So we are at the end of a long struggle where Sunflower has been trying to leverage their meager physical assets to make a little money. Mr. Watkins recounted how the current Holcomb project began with a plan to sell the 660 MW Sand Sage project to Enron or other energy marketers. That fell through when the deregulation craze died. Next they came up with the current grandiose scheme, three times larger (2100 MW), so they could earn the down payment for the modest 200 MW they need for Kansas.

I'd hate to be in Earl Watkin's shoes. He's in charge of an entity that's neither fish nor fowl, neither a public entity with access to public funding nor an entrepreneurial, private corporation. Sunflower is, as recently described by the Rural Utility Service, a "financially troubled borrower" struggling under a dysfunctional business model. [5]

Instead of aiding and abetting the misconceived Holcomb project that threatens the future of our children and grandchildren, the legislature and the Governor should agree on an independent consultant to look into these financial questions and search for a long term solution for Sunflower's inability to raise capital and get beyond their chronic financial difficulties. Then the legislature and the Governor should agree on independent consultants to help prepare a comprehensive energy plant for the state, one that captures the possibilities of rapidly developing and environmentally sound energy strategies rather than one that saddles the state with technologies of the past.

References:

1. Michael Elenbass, Westar Energy, Direct Testimony, KCC Docket 08-WSEE-309-PRE, Oct 1, 2007.
2.. D. Schlissel & E. Hausmann, Synapse Energy Economics, Inc., "New Coal Plants vs the Future," Jan. 21, 2008. Mid-case estimate in 2020 = \$25/ton CO_2, approx. equivalent to 2.5 cents kwhr.
3.Wis. PSC ruling on Point Beach Nuclear plant ownership transfer. Ref.#82880. Sept. 25, 2007.
4. Jefrey Wall, "Wall Street Shows Skepticism Over Coal," WSJ. Feb. 4, 2008.
5. USDA Rural Utilities Service, "Defendant's Motion to Dismiss," Civil Action No. 07-1860 (EGS), US District Court for the District of Columbia, Jan. 31, 2008, Introduction, page 3.