Kansas Legislative Research Department

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Energy and Utilities

H-1 Renewable Portfolio Standards, Wind Generated Electricity in Kansas, and Production Tax Credit

Renewable Portfolio Standards (RPS)

Beginning in 2007, utility companies throughout the state reached an informal, voluntary agreement, negotiated by the Governor's Office, to adopt the goal of producing 10 percent of Kansas' energy from wind by 2010 and 20 percent by 2020. The agreement also called for a 10 percent statewide reduction in overall energy use.

The 2009 Legislature enacted the Renewable Energy Standards Act, which requires electric public utilities, except municipally-owned electric utilities, to generate or purchase specified amounts of electricity generated from renewable resources. The Kansas Corporation Commission (KCC) adopted regulations implementing the standards in Fall 2010. Legislation passed in 2012 requiring the KCC to determine the annual statewide retail rate impact from utilities meeting the renewable portfolio requirement. During the 2013-2014 Legislative Biennium, several bills were introduced that would have reduced, delayed, or eliminated the RPS requirements. None of the bills were enacted.

Kansas' RPS requires utilities to obtain net renewable generation capacity constituting at least the following portions of each affected utility's peak demand based on the average of the three prior years:

- 10 percent for calendar years 2011 through 2015;
- 15 percent for calendar years 2016 through 2019; and
- 20 percent for each calendar year beginning in 2020.

Renewable energy credits may only be used to meet a portion of the requirement in 2011, 2016, and 2020, unless otherwise authorized by the KCC.

Each megawatt (MW) of eligible renewable capacity installed in Kansas after January 1, 2000, counts as 1.10 MW for purposes of compliance with the RPS. The capacity of any systems interconnected with the affected utilities under the Net Metering and Easy Connection Act or the parallel generation statute also count toward compliance with the renewable energy requirement.

Renewable energy may be generated by wind; solar thermal sources; photovoltaic cells and panels; dedicated crops grown for energy production; cellulosic agricultural residues; plant residues; methane from landfills or from wastewater treatment; clean and untreated wood

products such as pallets; hydropower; fuel cells using hydrogen produced by one of the other renewable energy resources; energy storage connected to renewable generation by means of energy storage equipment; and other sources of energy, not including nuclear power, that become available and are certified as renewable under KCC rules and regulations.

As of Fall 2014, 29 states, the District of Columbia, and 2 territories had adopted a RPS, while another 9 states and 2 additional territories had adopted a renewable portfolio goal. While the specific guidelines of each state's legislation vary, the most common forms of renewable energy cited in RPS legislation are wind, solar, geothermal, biomass, and hydropower. More information about individual states can be found at www.dsireusa.org, the website for the Database of State Incentives for Renewables & Efficiency.

Legislation considered during the 2013-14 Biennium (2013 HB 2241) would have amended the state's existing RPS by allowing utilities additional time to meet the 10 percent and 15 percent standards and would have eliminated the 20 percent standard. The bill passed the House Committee on Energy and Environment. The House Committee of the Whole did not vote on the bill and the bill was referred to the House Committee on Utilities and Telecommunications. From there, the bill was referred to the House Committee on Appropriations and then back to the House Committee on Energy and Environment, where it died.

Wind-Generated Electricity

Nearly all of Kansas' renewable generation of electricity comes from wind power. Kansas ranks second in the nation for wind energy potential, but eighth in power capacity installations. Kansas doubled its wind generation in 2012, reflecting $3.0 billion in new investment, and still growing. As of October 2014, Kansas had approximately 3,000 MW of wind energy generation capacity. In contrast, landfill gas and hydroelectric combined had about 14 MW of generation capacity.

Tallgrass Heartland

In Spring 2011, Governor Sam Brownback announced a voluntary agreement that would designate nearly 11,000 square miles of the Flint Hills as the "Tallgrass Heartland", an area that would be free of further development of commercial wind farms. Wind farms within the area with power purchase agreements would continue, but could not expand. Tallgrass Heartland runs from Riley and Pottawatomie counties in the north to the state's southern border.

Production Tax Credit (PTC)

PTC is a federal, per kilowatt-hour (kWh) tax credit for electricity generated by certain energy sources. The tax credit has been extended numerous times, most recently by the American Taxpayer Relief Act of 2012. The PTC expired in 2013, but projects under construction prior to January 1, 2014, may qualify for the credit.

Generally, facilities are eligible for the PTC for 10 years after being placed into service. The PTC ranges from 1.1 cents to 2.2 cents per kWh, depending upon the type of renewable energy source. The amount of the credit was established at 1.5 cents per kWh in 1993 dollars (indexed for inflation) for some technologies and half of that amount for others. The first PTC was created by the Energy Policy Act of 1992 and has been allowed to expire for short periods of time since 1992.

To qualify for the credit, the renewable energy produced must be sold by the taxpayer to an unrelated person during the taxable year. While the credit is the primary financial policy for the wind industry, other renewable energies also qualify. Eligible renewable sources include landfill gas, wind energy, biomass, hydroelectric energy, geothermal electric energy, municipal solid waste, hydrokinetic power, anaerobic digestion, small hydroelectric energy, tidal energy, wave energy, and ocean thermal energy.

Community Solar

Midwest Energy and Clean Energy Collective broke ground on a 3,960-panel, one MW community solar array on August 25, 2014, in a pasture north of Colby, Kansas. Construction on the array began in September 2014, with drainage and fencing. The next phase will be piles driven into the ground to support the array's automated tracker system and framing. Lastly, the rack system and panels will be installed. According to Midwest Energy, the system will be generating electricity by the end of 2014.

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