



KANSAS MUNICIPAL UTILITIES



Impact of EPA RICE MACT Rule on Kansas Municipals

Senate Utilities Committee

► January 18, 2012

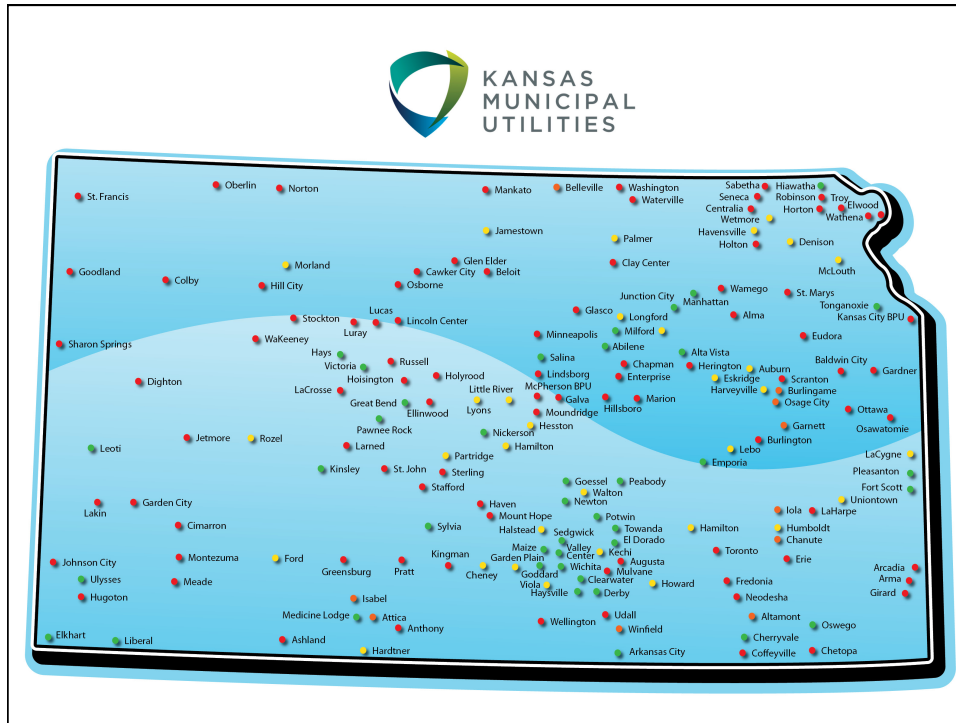
Colin Hansen, Executive Director

Kansas Municipal Utilities (KMU)

- Statewide Trade Association for Municipal Utilities
 - Electric
 - Natural Gas
 - Water
 - Wastewater
- 174 Communities Operating One or More Municipal Utilities
- Established in 1928
- Nine Employees
- Headquartered in McPherson



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Municipal Electric Utilities

- **119** Municipal Electric Utilities in Kansas
 - “Public Power”
 - 4th Most Public Power Systems
 - Iowa (**137**), Minnesota (**125**) & Nebraska (**121**)
 - **Largest:** Kansas City BPU
 - 67,000 meters
 - **Smallest:** City of Radium
 - 23 meters
- **Median: 882** Customers
 - Examples:
 - Minneapolis
 - Cimarron
 - Hill City
 - Osborne
 - Moundridge
 - **Primarily Rural Communities**
 - **Only Eight** of 119 Public Power Systems Serve In Excess of 5,000 Customers
 - **Approximately 17%** of Kansas Citizens Served by a Municipal Electric Utility

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Local Generation

- 60 Municipal Utilities Have Local Generating Facilities
- Baseload: Kansas City BPU Nearman Plant (235 MW) & Quindaro Units (144 & 78 MW)
- Reliability & Peaking: 60 Municipal Power Plants
 - McPherson BPU: *239 MW*
 - Coffeyville: *47.5 MW*
 - Winfield: *41 MW*
- EPA RICE NESHAP Rule
 - New EPA Ruling to Have Significant Impact on 56 Kansas Municipal Power Plants

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Background

- March 3, 2010 – Final Emissions Standards for CI
 - 40 CFR Part 63, Subpart ZZZZ
 - Existing Engines (Previously on New Engines)
 - Judicial Consent Decree Between EPA, Sierra Club & Environmental Defense Fund
- August 10, 2010 – Final Emissions Standards for SI



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Estimated Impact (Midwest)

	Cities	Municipal Units	Municipal Capacity (MW)	Total Capacity (All IC Units)
Kansas	56	306	603	
Iowa	67	252	455.4	604.1
Minnesota	44	182	385.3	328.8
Missouri	44	201	387.8	340.9
Nebraska	34	100	119.8	120.3
Wisconsin	13	47	181.8	199.9
	258	1088	2133.1	1594

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Dual Fuel Engines

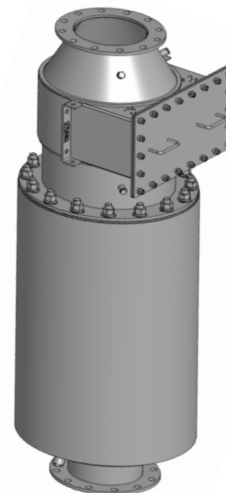
- 246 of 306 Units = “Dual Fuel”
- Dual Fuel Engines
 - Operate on Combination of Natural Gas & Diesel
 - Can Run on 100% Diesel (Gas Curtailment)
 - Typical Operation
 - Older, “Rich Burn” Units
 - 90-95% of Heat Input = Natural Gas
 - Newer “Lean Burn” Units
 - 99% of Heat Input = Natural Gas
 - Diesel = Ignition Source

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Compliance

- Catalytic Converters
 - Decreased Operational Efficiency (Increase in Gas Usage)
 - Some Units Cannot Be Brought Into Compliance (Exhaust Temperatures Too Low)
- Startup, Shutdown & Malfunction Requirements
- Emissions Monitoring & Reporting



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The Problem

- Existing Transmission System Serving Small Municipal Communities in Kansas Not Designed to Support Reliable Electric Service Absence Reliance on RICE Engines
 - Transmission Interruptions
 - Transmission Lines Reach Capacity & Voltage Drops
 - Scheduled Maintenance
 - Weather Events
- KMU Members Actually Prefer Less Reliance on RICE Engines
 - Very Costly to Operate
 - Ongoing Maintenance & Power Plant Staffing
- Unrealistic Deadline: May 3, 2013

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Very Difficult Timing

- 51 of 56 Cities Have Declining Population
 - Median Rate = -8.7% from 2000 to 2009
 - Some Lost More Than Fifteen Percent
- Economic Conditions
- Aging Population
- Low-Income
- Small Communities Ill-Equipped to Bear the Costs of Retrofitting Units, Particularly for Very Questionable Environmental Benefits

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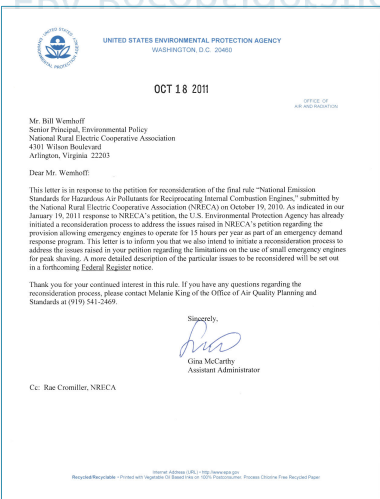
EPA Reconsideration – Demand Response

- Very Narrow
- Number of Hours Used for Emergency Generation
- Conditions or Operations That Would Qualify for Emergency Use
- Public Hearing – January 13, 2011
 - Research Triangle Park, North Carolina
- EPA Recently Announced Settlement



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EPA Reconsideration – Peak Shaving

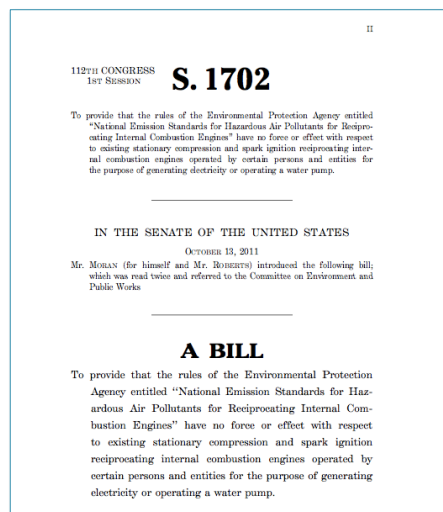


- EPA Letter
 - National Rural Electric Cooperative Association (NRECA)
 - October 18, 2011
- Utility Industry Unclear What Reconsideration Means
- Issue Likely Unsolved Until After Elections

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U.S. Senate Bill 1702

- Senator Jerry Moran
- Senator Pat Roberts
- Companion Legislation (H.R. 3185) in U.S. House of Representatives
 - Congressman Bob Latta (R-OH)
- RICE exemption for municipal utilities, rural electric cooperatives, and ag producers



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Conclusion

- **Compliance**
 - Estimated \$60,000 - \$100,000 per Unit
 - 306 Units in KMU Membership Alone
 - Timeline Infeasible
 - Environmental Benefit Extremely Questionable
- **Reliability Considerations**
 - Two Power Plants Already Made Decision to Close
 - Herington
 - Norton
- **Contact Information**

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