Subsection 3.51 Policy and Program Recommendations

1. The Governor and the Legislature shall determine if and how State- and consumer-funded support should be structure to stimulate IGCC coal power plants, in association with carbon dioxide capture and storage.

Description

The Legislature is encouraged to investigate the need for additional incentives (e.g., State tax credits, KDFA financing) to stimulate the development of IGCC coal power plants, in association with carbon dioxide capture and storage, and, if deemed necessary, to approve such incentives.

Recommended Actions

a. Responsible parties

Governor, Legislature.

b. Legislative action

Enabling legislation may be necessary.

c. Budget Requirements

Some State funding may be necessary, depending on incentives enacted.

d. Implementation Timeline

Immediately following effective date of enabling legislation.

Implications of the proposal

a. Pros

i. Reduces emissions of regulated pollutants.

ii. Reduces emissions of carbon dioxide.

b. Cons

i. Tax credits decrease State revenues and, thus, reduce funding for other items in the State general budget.

ii. May increase price of electricity for ratepayers whose utility is awarded additional basis points. (Note: unlike tax incentives or KDFA financing, granting an automatic higher rate of return on utility investment in IGCC coal power plants would increase ratepayer bills.)

iii. If market conditions change (e.g., the Federal government enacts CO_2 regulation), additional State subsidies may become excessive.

[Subsection 3.51 Policy and Program Recommendations, continued]

2. The Kansas Corporation Commission should consider the advantages associated with of IGCC coal power plants, combined with carbon capture and sequestration, when evaluating applications or requests to approve decisions by jurisdictional utilities to invest in new generation or enter purchase power agreements for IGCC coal power plants. As part of this broader consideration, the KCC will require utilities to demonstrate that competitive bids were solicited and the most responsible selection was made for the purchased power or investment.

   Note: This proposal positions the State to take advantage of IGCC and carbon capture and storage technologies, if the FutureGen prototype demonstrates their feasibility.

   Description

   This legislation would enable the KCC to consider the value of lower-emissions coal generation and carbon capture and storage when evaluating investments in or purchase power agreements (PPAs) from jurisdictional utilities for integrated gasification combined cycle (IGCC) coal power plants, in association with carbon dioxide capture and storage capabilities.

   It is recognized that, without this consideration, PPAs for IGCC coal power plants may not be cost competitive relative to existing pulverized coal-fired generation.

   With this policy, the State recognizes the potential benefit to Kansans of reduced pollutants and greenhouse gas emissions attributable to integrated gasification combined cycle (IGCC) coal power plants, in association with carbon dioxide capture and storage capabilities, and declares that it is appropriate for the Kansas Corporation Commission to approve rates for electricity generated by these technologies, even if those rates are higher than what they would have been with full reliance on conventional coal-fired generation.

   Recommended Actions

   a. Responsible parties

   Kansas Corporation Commission; electric utilities (this policy provides for the future adoption of these technologies by Kansas electric utilities).

   b. Legislative action

   No legislation is necessary.

   c. Budget Requirements

   No state funds required.

d. Implementation Timeline

Effective January 2007, the KCC is encouraged to implement this broader consideration.

Implications of the proposal

a. Pros

i. Reduced emissions of regulated pollutants.

ii. Reduced emissions of carbon dioxide

iii. Increased ability to use higher-sulfur Kansas coal in IGCC systems.

iv. Suitability of the state's geologic formations (e.g., depleted oil and gas reservoirs) for carbon sequestration.

v. Does not require additional state funding or result in additional loss of tax revenues.

b. Cons

i. Increases price of electricity to ratepayers whose utilities invest in IGCC power plants with carbon capture and storage.

ii. May disadvantage the state economically in the absence of federal carbon regulation.

iii. Uncertainties associated with feasibility of carbon capture and storage.