KANSAS MUNICIPAL UTILITIES

Impact of the RICE NESHAP Rule on Municipal Utilities in Kansas

Attica, Kansas *(pop. 626)*
In 2010, Attica operated their RICE engines for a total of twenty-nine hours. The municipal utility was forced to generate with their RICE units once when electricity to their town was cut off due to a maintenance outage at a nearby substation and a second time when a large thunderstorm caused a significant outage. Without the RICE units the city would have been in the dark. To comply with the RICE rule, Attica would be required to spend $240,000 (conservatively estimated). In 2010, Attica's air emissions were so low as to be deemed "non-reportable."

Baldwin City, Kansas *(pop. 4,515)*
"To bring our five Fairbanks-Morse units into compliance using a stack catalyst unit, monitoring devices, and the necessary crankcase vacuum modifications is going to run us $414,389," said Rob Culley, Lead Power Plant Operator for the City of Baldwin City. "The cost of the RICE NESHAP regulations not only impacts our annual operating budget, it severely impacts our reserve fund, and will inevitably trickle down to our customers in the form of a rate increase." Over the past two years, the most any one RICE unit has operated on an annual basis is roughly 200 hours.

Belleville, Kansas *(pop. 1,991)*
The impending compliance date of May 2013 and concern about the ability to find reasonably priced contractors and parts has lead many cities to already implement the needed upgrades. The City of Belleville, Kansas installed catalysts on their four power plant units at a cost to ratepayers of $302,368. Belleville City Manager Robert Knudson noted that cities have the difficult and unreasonable choice to either spend the money to comply right now and assume there will be no relief from the regulation or delay and face potential shortages of labor and equipment and increased costs.

Chanute, Kansas *(pop. 9,119)*
The City of Chanute originally received estimates that totaled over $800,000. Since then, the city also received a quote to bring their seven RICE units into compliance at a cost of $1,250,000. The city has since developed specifications and performance guarantees and will hold a pre-bid meeting on October 13, 2011. Bids will be due October 31, 2011 for work to be completed in 2012. "RICE is just the start for all the EPA regulations affecting Chanute," said Larry Gates, Director of Utilities for the city. "Cross State Air Pollution Rule is another huge concern to us. Then we switch to wastewater and nutrient reduction. In today's dollars, that's maybe $13,000,000. Where will it stop?"

Colby, Kansas *(pop. 5,387)*
"The City of Colby has received a quote for $633,835.64 to install the necessary catalytic converters to bring our six engines into compliance with RICE/NESHAP regulations," said Carolyn Armstrong, City Manager of Colby, Kansas. "This is for engines that have averaged a total of 88 hours of annual operation in each of the last seven years. As you can well imagine, running the engines for an average of 88 hours per year does not add substantial contamination to the air in Colby. For a community of 5,300, this is an exorbitant cost to fix a problem that doesn't exist."

Garnett, Kansas *(pop. 3,415)*
"The City of Garnett received one quote in the amount of $604,000," said Joyce Martin, City Manager in Garnett. "If we are forced to abide by the RICE regulation, I don't know where we will come up with these funds. We are totally opposed to this rule as our engines are only used for peaking and in emergency purposes."

Hoisington, Kansas *(pop. 2,706)*
"The cost for our four engines is between $550,000 and $600,000. That is a major cost that will take many years to repay. This is all for a power plant that only ran 204 hours so far this year," said Dave Wondra, Power Plant Superintendent in Hoisington, Kansas.

Larned, Kansas *(pop. 4,054)*
"Larned has received one quote of about $700,000 to comply with the RICE rule," said Ralph Streit, Electric Production Superintendent for the City of Larned, Kansas. "I'm frustrated that this whole mess with the RICE rule is going to cost our citizens a bunch of money that doesn't need to be spent. We do not run our engines enough to cause damage to anything. All this regulation is doing is taking money that could be better used in another way to benefit our community."

Lincoln Center, Kansas *(pop. 1,297)*
Rose Gourley, City Clerk for Lincoln Center, noted that, "a report from our engineering consultant just last month indicated that Lincoln's cost for compliance would be almost $400,000." The large expenditure is overwhelming for a city with a population of just under 1,300 citizens. "This all comes along just as we are trying to do complete a multi-year overhaul of the engines at the plant. A large part of our reserves has already been depleted as a result of that project."

Norton, Kansas *(pop. 2,928)*
In 2011, the City of Norton was reviewing an investment of $2.5 million for improving the cooling system for its generating units at the power plant. With the city facing the additional investment to comply with the regulatory aspects of the RICE/NESHAP regulations by adding catalysts to 4 of its 5 generating units, the governing body made the decision to close the power plant as of August 14 and the city dropped its air permits. The RICE/NESHAP regulatory requirement was the "final nail in the coffin for the Norton power plant" according to Rob Lawson, Norton City Administrator.

Pratt, Kansas *(pop. 6,835)*
The City of Pratt has received a quote indicating that the cost of compliance with the RICE NESHAP rule would be $443,575. This is only for two RICE engines. In addition to the cost of oxidation catalysts, the city will be forced to purchase data loggers, a demist system to filter crankcase ventilation, and new silencer tailpipe sections. In addition, Pratt estimates another $74,000 will be required to building alteration costs to modify the existing power plant so that the new equipment will fit in the building. The project will be drawn from electric capital reserve funds, dollars that would otherwise be used for other important generation and distribution upgrades.

Sterling, Kansas *(pop. 2,328)*
The City of Sterling has received bids in the amount of $450,035 to place catalytic convertors on seven engines that normally generate only 2% of the city's electrical use in a year. Ninety-eight percent of the city's power is purchased from the Kansas Power Pool. Sterling has received bids as high as $110,000 per engine for a total of $770,000. The population of Sterling is 2,328 citizens (or 1,227 electric meters). The $450,035 bids plus 10% contingencies at $45,003 totals $495,038 for the RICE requirements. This equates to $212.64 per capita, $403.45 per meter customer, or $6.72 per meter monthly on a five-year life expectancy of catalytic convertors.

Stockton, Kansas *(pop. 1,329)*
"For Stockton, the cost of complying with the RICE rule is $320,000. It takes several years to save up that much money in a utility of our size and will kill my budget for repairing the more important things that need to be addressed, like substation work and replacing reclosers. All of that will get pushed back by three years, minimum," said Jeff Scott, Electric Production Superintendent for the City of Stockton.