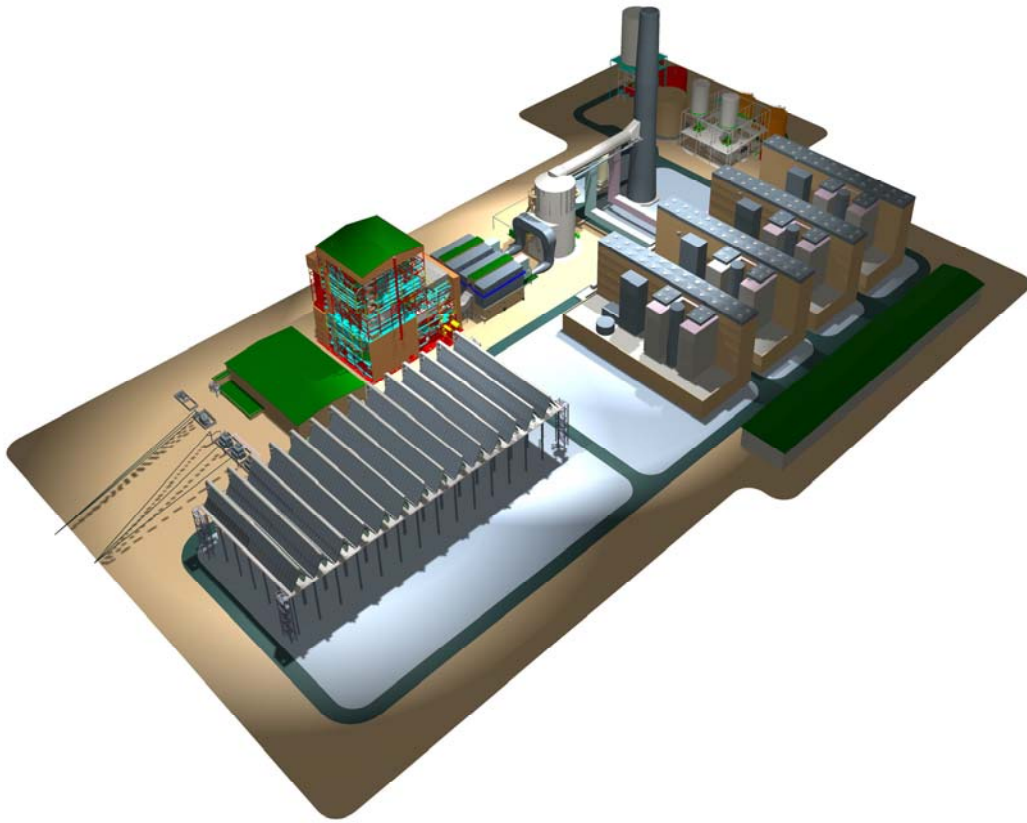


Testimony of Gregory P. Kunkel, Ph.D
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**Before the Texas House of Representatives
Committee on Energy Resources
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Thank you, Chairman Keffer, Vice Chair Crownover and members of the committee.

I am here to make a few comments in support of HB 2811, and also to thank Rep. Hardcastle for his work in crafting this legislation, which will do much to advance the commercial deployment of essential technologies to capture and store carbon dioxide.

I am Tenaska's vice president for Environmental Affairs, and in that role I am intensely involved in Tenaska's development of two pioneering generating stations that will use clean coal technologies to capture CO₂ and provide for its geologic storage. We are all confronted with the reality that emissions from power generation will be increasingly constrained in the future. Therefore, we think it is prudent to develop needed new generation facilities not only with reliability and economy, but with a low or negative carbon footprint.

If our efforts succeed, one of those plants will be in Texas – the Tenaska Trailblazer Energy Center. We propose to locate Trailblazer nine miles east of Sweetwater, in Nolan County, on more than 2,400 acres of undeveloped land between the Union Pacific and Burlington Northern railways. The fact that Tenaska has developed the Trailblazer project is evidence that HB 3732, which HB 2811 improves and builds upon, encourages developers like Tenaska to put forth advanced clean energy projects of the sort envisioned by the bill.

Trailblazer will be a 600-megawatt (net) generating plant, fueled by western coal. What will make it unique and, we believe, the first of its kind in the U.S. will be its environmental performance - capturing 85 to 90 percent of the CO₂ that otherwise would be emitted; its scale– the largest post-combustion CO₂ capture plant yet proposed, and its strategic siting - near two railroads for coal transportation and pipelines to the world's largest market for commodity-grade CO₂. High purity CO₂ will be sent by pipeline to Permian Basin oil fields for use in enhanced oil recovery (EOR) and geologic storage. Environmental performance, scale, and strategic siting are critical to economic deployment of carbon capture and storage (CCS).

Let me stress that Trailblazer will be a commercial venture in every sense, not a pilot or field trial. Trailblazer is being designed to capture and provide for storage of CO₂, using advanced capture technology that is available today.

For Trailblazer to become a commercial enterprise, significant challenges must be overcome. The capital investment in post-combustion carbon capture could add as much as a billion dollars to a two billion dollar power plant, when financing and other “soft” or indirect costs are included. In addition, regulations for sequestration of CO₂ are under active development at the federal level. We will need a Texas administrative agency to implement this regulatory structure when it is ultimately promulgated.

Rep. Hardcastle’s HB 2811 will provide financial incentives to offset the high costs associated with pioneering new and vital technologies and provides for a framework to address needed regulation of CCS activities. For the state of Texas, this kind of support represents an investment in the future – providing for the addition of new baseload generation and pioneering post-combustion capture technology. Also, the technology demonstrated at Trailblazer potentially could be applied to Texas’ existing fleet of pulverized coal generation facilities, something integrated gasification combined-cycle (IGCC) technology cannot do. This is why Trailblazer is a particularly strategic investment in a cleaner environment.

Trailblazer’s location facilitates delivery of captured CO₂ to the largest EOR market in the world, and its scale presents our engineers with opportunities for economies never before achieved. The project’s goal of capturing 85 to 90 percent of the CO₂ that would otherwise be emitted maximizes EOR-related revenues, as well as eligibility for federal technology incentives. These include the recently enacted sequestration tax credit, recently expanded DOE funding and loan guarantee programs, or proposed incentives under this year’s federal energy and climate legislation. With these other key financial feasibility elements forming a platform for a successful pioneering carbon capture and sequestration endeavors, HB 2811 would contribute significantly to the potential success of Trailblazer and other advanced clean energy projects.

Technologies to produce electricity virtually emission- and greenhouse gas-free are here today, and, as demonstrated by our proposal to build Trailblazer, Tenaska is willing to be at the forefront of development.

We and other potential developers just require clear and beneficial government policies that will help mitigate the substantial risks inherent in taking that upfront position. Therefore, we encourage passage of HB 2811.

I will be glad to answer any questions you may have.

About Tenaska

Tenaska is an energy company, headquartered in Omaha, Nebraska, that develops, constructs, owns and operates non-utility generation and cogeneration plants. The company also markets natural gas, biofuels and electric power, and provides risk management services. Tenaska is involved in asset acquisition, fuel supply, natural gas exploration, production and transportation systems, and electric transmission development. Tenaska has developed approximately 9,000 MW of electric generating capacity across the United States. Tenaska's affiliates operate and manage eight power plants in six states totaling more than 6,700 MW of generating capacity owned in partnership with other companies. Tenaska Capital Management, an affiliate, provides management services for standalone private equity funds, with more than \$3 billion in assets, including nine power plants (with approximately 5,400 MW of capacity), natural gas assets, and transmission infrastructure construction and maintenance operations. In 2008, Tenaska was listed in benchmarking studies by the Natural Resources Defense Council as having the best records in the United States for fleet-wide average emissions of carbon dioxide, nitrogen oxides and sulfur dioxide. For more information about Tenaska, visit www.tenaska.com.