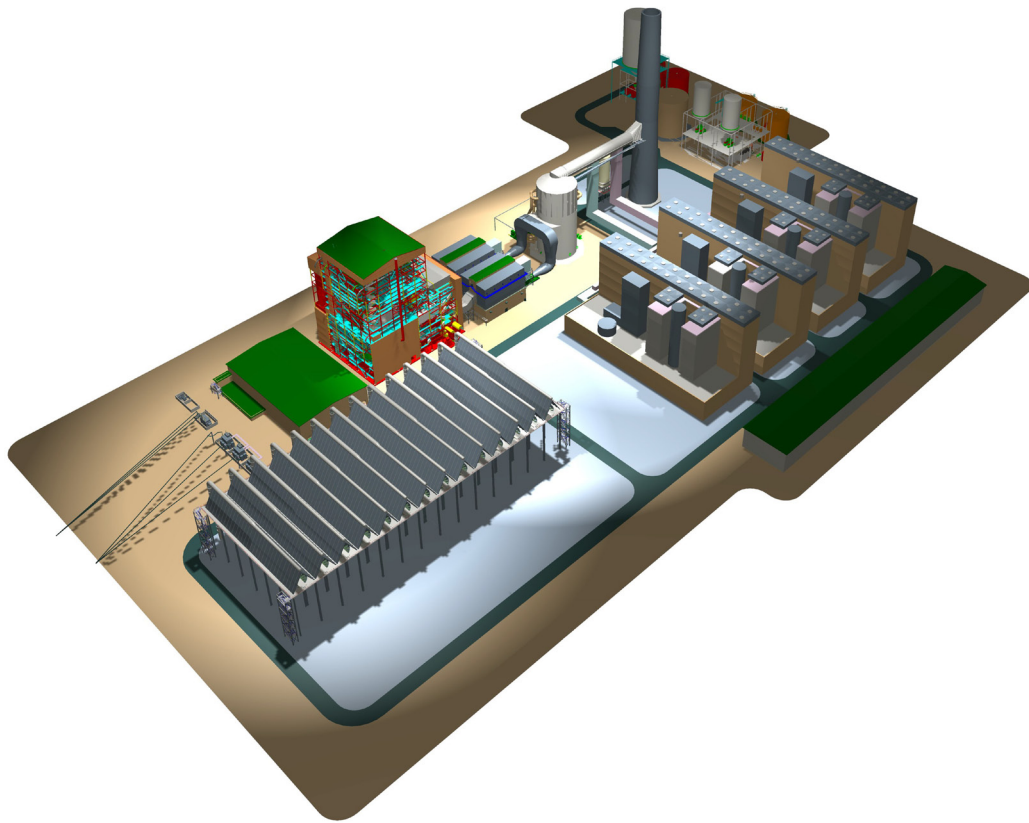


Testimony of Greg Kunkel, Ph.D
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**Before the Texas House of Representatives
Committee on State Affairs
Committee on Energy Resources
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Thank you, Chairmen Solomons and Keffer, Vice Chairs Menendez and Crownover and members of the committees.

I appreciate the opportunity to bring you up to date on progress Tenaska is making in development of our Tenaska Trailblazer Energy Center near Sweetwater. We have made encouraging strides since I last met with you and since the 80th session in 2009.

Trailblazer will be a 600-megawatt (net) power plant fueled by Western coal, and designed to capture from the flue gas 85 to 90 percent of the carbon dioxide that otherwise would be released to the atmosphere. Our location in Nolan County supports delivery of coal by rail and provides reasonable access to the largest CO₂ market and pipeline infrastructure in the world. The CO₂ will be transported via pipeline to Permian Basin oil fields for use in enhanced oil recovery and geologic storage. The energy content of the oil produced is actually greater than either the electricity we produce or the coal we receive. This relationship with enhanced oil recovery is an important aspect of the project .

We received a draft air quality permit from the Texas Commission on Environmental Quality (TCEQ) in February 2009 and an administrative hearing on that permit is scheduled for June 2, 2010. Today, we are working on initial design with Fluor Corporation as the engineering, procurement and construction contractor. Fluor is headquartered in Irving, Texas.

In addition, we have sold a 35 percent equity interest in the project to Arch Coal, Inc., of St. Louis, Missouri. Arch, the second largest U.S. coal producer, will supply Trailblazer's fuel from the Powder River Basin in Wyoming.

Trailblazer will be among the first commercial scale applications of post-combustion CO₂ capture technology. This technology also may be applied to the existing conventional coal-fueled plants that now generate about half this nation's electricity. This is the only technology that can directly address the largest source of greenhouse gas emissions in the United States and around the world. Without such CCS technology, the

International Energy Agency estimates that the costs of achieving proposed significant greenhouse gas emissions reductions are likely to be 90 percent higher

Trailblazer's environmental advantages are not limited to CO₂. The plant is being designed to meet the Advanced Clean Energy Project (ACEP) standard, which is based on Department of Energy emissions targets for IGCC plants for 2020. This very high standard will result in greatly reduced mercury, sulfur dioxide and nitrogen oxide emissions.

As you well know, water is a valuable resource in Texas. At Trailblazer, we are electing to use the most water efficient cooling method available -- "dry cooling." Dry cooling uses air to cool and condense steam rather than evaporating water. Water consumption is reduced by more than 90 percent compared to traditional "wet cooling" methods predominantly used by power plants today. Instead of consuming over 10 million gallons of water per day, Trailblazer is expected to use an average of 1 million gallons, and no more than 2 million gallons even during periods of great demand for electricity, such as extremely hot or cold days. The city of Abilene is considering the sale of treated municipal wastewater for use at Trailblazer.

Our water conservation plans and our commitment to capture 85-90 percent of the CO₂ produced at the facility are key reasons why the nationally recognized Environmental Defense Fund recently agreed with Tenaska that it will not oppose development of Trailblazer and will withdraw from the contested case hearing on Trailblazer's draft air quality permit.

Texas faces a shortage of generating capacity over the next several years, and is highly dependent on gas-fired generation to meet its energy needs. There currently is an imbalance of fuel sources among Texas power generators, with 70 percent of Texas' electric generating capacity being fueled by natural gas. A recent Electric Reliability Council of Texas (ERCOT) report projects that Texas could need to add more than 55,000 megawatts of new and replacement power-generating capacity over the next two decades to meet projected demand growth. The addition of Trailblazer, as a baseload

coal-fired facility, to the supply mix in ERCOT will address both the growing need for power supply and the imbalance of fuel sources in the state.

We want to thank you. We appreciate the work you did in the last legislative session to provide incentives – including tax abatements, grants and franchise tax credits – and encouragement for the development of clean energy. That legislation helps put in place state and local incentives that provide the framework for attracting to Texas investment in large capital-intensive projects such as Trailblazer.

Such legislative support, focused on technology-neutral, emission-based incentives, is one reason why Trailblazer has come so far along in advanced development over the past two years, including filing for an air quality permit in February 2008, obtaining a draft air quality permit in February 2009, finalizing an interconnection study, and hiring an EPC contractor. As you know, it takes a long time, a lot of money, and the willingness to accept substantial risk to build new cutting-edge energy projects. Tenaska has made this commitment and we believe Trailblazer will be the first project in Texas to successfully demonstrate how clean energy can be produced from economical coal.

Thank you for your time today.