

Kansas Energy Council Minutes, October 19, 2004

The meeting was called to order at 10:02 a.m., Tuesday, October 19, 2004, at the K-State Alumni Center, by KEC Chair Lee Allison.

KEC members present:

Lee Allison, KEC Chair
Brian Moline, KEC Vice Chair
Richard Anderson
Patty Clark
Sarah Dean
Spencer Depew
David Dayvault
Steve Dillard
Colin Hansen
Greg Krissek
Donna Johnson

Stuart Lowry
Galen Menard
Gene Merry
Richard Nelson
Dave Phelps
Adrian Polansky
Bruce Snead
David Springe
Tracy Streeter
Michael Volker
Curt Wright

Opening comments

Allison welcomed everyone and introduced new KEC member, Patricia Clark, designee for Secretary of Commerce Fricke. Lt. Governor John Moore is here representing Governor, as this group's activity is a high priority for the Governor. Allison had council members and audience introduce themselves.

Long-range planning committee report

Allison asked Sarah Dean to brief the council on the activities of the newly formed Long-range Planning Committee. Dean noted that Richard Nelson and Michael Volker were also committee members and said their task was to begin the process for developing a long-range, strategic, comprehensive Energy Plan. She distributed a handout outlining the initial steps towards such a plan. Dean noted that their committee did not think the KEC needed to gather additional public input in order to move forward with energy plan, noting that the energy council members are a diverse group representing a wide spectrum of energy interests and expertise. The committee suggested a meeting with the Governor's staff very soon to resolve mutual expectations.

Allison asked for questions, comments and Council discussed details of committee's recommendation, extent of input from outside the KEC. Dean said she envisioned a lot of involvement on the part of council members in developing plan. Council voted to approve the committee's recommendations.

KEC Minutes

Minutes from September meeting were distributed and approved unanimously.

Breakout meetings of standing committees

Allison noted that the KEC plans to get report delivered in December, in advance of the January deadline. The plan for today is for each committee to bring back to the full council their recommendations for the 2005 plan. Then, over the next few weeks we will review, discuss, and at November meeting, we will formally adopt those recommendations for the report. He encouraged standing committees to set priorities and be ready to present them to the full council this afternoon.

The Renewable Energy and Electric Utilities will meet jointly to address the recommendations of the Renewable Incentives Working Group, which was developed in part in response to the recommendations of the Wind and Prairie Task Force, which outlined different options/strategies for the Governor. Another piece are the new maps of the Flint Hills that will be presented this afternoon by staff from the Kansas Biological Survey and the Kansas Geological Survey. As a council we do not have to approve the maps. Look at the proposed incentives, see how they fit into a larger package.

We will have a working lunch: Larry Holloway will give electric transmission SPP update over lunch. After Larry's presentation, the mappers will come in and make presentation, put maps up on walls. Then we'll go back to the breakout meetings and come back to full council and make short presentations on recommendations.

Breakout meetings – 10:30

Full council reconvenes for lunch – 12:20

Southwest Power Pool (electric transmission) update

Larry Holloway gave a powerpoint presentation on Southwest Power Pool (SPP) transmission funding proposals (this powerpoint is available on the KEC Meetings page: <http://kansasenergy.org/KECmeetings.html>).

Allison asked if the SPP proposal had been approved by FERC? Holloway said that the requirement from FERC was to do base plan funding for reliability upgrades and that a vote will be taken at the Oct. 26th meeting in Little Rock, Arkansas, where there would also be presentations by wind developers, etc.

Holloway noted that Kansas is a major player within SPP, with 20% of the overall electric load. He said the base plan would be reviewed every 5 years, and how to fund upgrades.

Holloway noted that a question had been raised about introducing a placeholder to allow for flexibility in case the state legislature passed transmission bill. He said he didn't see that happening at this point in the process, that it would be difficult to get unanimous approval by all states.

Nelson asked where would state funding come into this plan? Holloway said through the generation interconnection or economic upgrade process. Donna Johnson asked about

exemptions and Holloway said designated network resources (DNR) would go into base plan and this could include renewables.

Johnson noted that during the joint meeting that morning they'd discussed how part of the public benefit charge money would go to transmission issues and asked how that would interplay with this base plan? Holloway said it doesn't; his opinion is that that the SPP and the Regional State Committee would not approve a legislative placeholder.

Holloway said he wasn't sure where the economic plan is going, and that there has been some discussion about some projects being mandatory, if enough volunteers do not come forward. SPP has looked at how to deal with different ways to build and pay for transmission lines developed for economic purposes, including considering the reliability projects are replaced. While the portion of base plan upgrades replaced by the economic upgrade would still be funded according to the base plan, they are still looking at how to pay for the remainder.

Richard Anderson said the formation of RTO in footprint is nothing new. What is the cost? Holloway said SPP wants to keep it low. Anderson noted that costs are going to go up, and funds will have to come from customer. Holloway said SPP is doing a cost/benefit analysis.

Allison asked if we'd see parts of this in next few weeks? Holloway said the debate on it has to be filed at FERC before the end of the year.

Flint Hills Mapping Presentation

Allison introduced Ken Nelson from DASC/KGS and Kelly Kindscher and Mike Houts from the KBS.

Kindscher outlined the goals and process used to create a highly accurate map of tallgrass prairie to assist policymakers as they consider development of natural resources in the Flint Hills. He noted that the team used two approaches in creating the map. Initially, they used data from the digital version of the 2001-2002 Kansas Vegetation Map (also called the Kansas GAP Map), which was based on satellite imagery. The next step was to refine the vegetation data by hand-digitizing aerial photographs from 2003 and three remotely sensed images (taken during the 200-2001 growing season) to determine the 90-100% prairie boundary line. He noted that they couldn't call any area 100% tallgrass prairie because of roads, farm ponds, etc.

Kindscher summarized the "rules" they used to define the 90%+ intact prairie landscape: (1) all areas had to be at least 2,000 acres (as suggested in Wind and Prairie Task Force report), (2) a non-native fragment had to be at least 200 acres for it to be removed from the intact prairie, (3) intact prairie landscapes had to have a 1/2 mile minimum width in order to be connected, and (4) riparian corridors with adjacent cropland were excluded.

Kindscher noted that they didn't map any crop land under 200 acres. He said they would have some county maps available to look at (and take) during the break. He noted that the data and maps were KEC web site and showed three categories of tallgrass prairie.

Someone from the audience asked if replanted fescue shows up as prairie on the maps and Kindscher said it did not. The visitor noted that there was 2,700 acres of brome that was shown on map as tallgrass prairie and Kindscher said he'd be happy to talk with him, that they were interested in correcting errors of this sort.

Houts noted that there'd been some misclassification of the grasses in the Flint Hills on the GAP map.

Allison asked about the process they used to set up rules, and Kindscher said he had a handout with details on rules. Several people joined us for meetings, lots of involvement, great buy-in and general support of maps.

He noted again that while they were confident that the maps were pretty accurate, they welcome feedback and will correct maps. He also noted that the maps are not accurate at the project planning scale.

Nelson said the role of DASC in this project has been cartographic development, web-based interactive map, etc. He outlined some of the data layers available and gave a demonstration of the online GIS capabilities.

Allison asked if there were questions and there was brief general discussion about how the maps would be used by the Governor's office to make decisions about development in the Flint Hills. Kindscher noted that the job of his team was to map intact rangeland.

Allison said that this mapping effort was in response to recommendation #1, option B, from the WPTF report, that the maps would be presented next to the Governor.

Allison announced a 15-minute break to review maps, followed by standing committee breakout meetings.

Break at 1:45

Breakout meetings at 2:00

Full council reconvenes at 3:20

Allison asked Steve Dillard to give the report from the Petroleum & Natural Gas Committee.

Dillard outlined the committee's draft recommendations. He said that the biggest issues facing oil gas petroleum industry are environmental regulations, waiting on EPA rules and regulations. He noted that the KCC has already taking initiative through IOGCC to have EPA provide information, expand participation with marketers and refiners. So one recommendation from their committee will have to do with improving communication

between petroleum industry and EPA. The second recommendation is to Article 9 of Uniform Commercial Code, reinstate oil and gas producers' status as creditors. The third recommendation is to recognize importance of the state's refining capacity. He noted that having refineries in Kansas improves the market, improves price of refined products for consumers. He said the state may need to assist other refiners to stay in Kansas, may have to do this through financing; it's expensive to meet clean fuel requirements.

Dillard said the committee wanted to encourage the development of additional gas storage facilities. They also wanted the report to include a recommendation for training of personnel in the oil and gas industry, noting that the labor force went away when prices were low. They would like the state to help get labor trained. They also want to foster development of coal bed methane. They don't want to open up the severance tax. They would like to encourage state to play a role in FERC NOPR.

Allison asked Donna Johnson to give the report from the joint meeting of the Renewable Energy and Electric Utilities committees.

Johnson said they discussed the same agenda items we talked about this morning and spent the afternoon on a public benefit fund, what did they want it to be. She said they were going to start drafting and fleshing out an experimental program for a 5 year time frame, that would include an energy office with staff (not talking about bricks and mortar). She said she'd asked Nelson, Snead, Phelps, and Hansen to put together draft PBF proposal.

Hansen noted that they still had a lot to flesh out, that there remained quite a bit of difference in opinion.

Johnson said the committee would also be bringing forward the other 4 recommendations that were on the list.

Allison noted that the KEC hasn't dealt with what Snead brought forward, regarding energy efficiencies and encouraged members to forward their ideas to Bruce over next few weeks.

Allison also mentioned that he'd been talking to other groups about education. With our limited resources, he didn't feel we could participate. He encouraged KEC members to send staff any other items that might need to be considered for recommendations and we'll distribute on the listserv. Not just ideas for legislation but recommendations on how to work with state/federal agencies, develop long-term planning.

Brosius asked that they forward any energy topics to be included in report, along with a summary of recommendations, and the standard consumption and production forecasts.

KEC updates, news

Allison reminded everyone that the next meeting would be Nov. 23 at the KCC in Topeka.

Snead said he would like to have all the proposed recommendations by Nov. 15 or 16, so they can have time to digest before the meeting. Allison agreed that we should get these out no later than a week before the next meeting.

Allison asked if everyone thought they could take care of all the recommendations and come to resolution in a 6-hour meeting, or did they need more time. Council seemed to think the 10:00 a.m. to 4:00 p.m. format was sufficient, but Allison said that if while we are working on these, we get a sense that we will need more time, we will make adjustments.

Allison noted that they had talked about meeting every 2 months in 2005 and that it was suggested that we meet shortly after legislature convenes, so we will have better feel for what legislature is doing.

Brosius asked everyone to check their calendars for January 19, 20, 21 and email her with the preferred date. We will be meeting every other month – January, March, May, July, September, November. She asked if they'd rather set a regular meeting day, like the 3rd Thursday of every other month?

Allison said we will send out these dates, and you can get back to us on your availability. We will move around the state.

Brosius noted that the KEC will have a booth at renewable energy conference in Topeka next week. Lee, Scott, Liz will be there, if any of you would like to help with the booth, let us know and we can coordinate schedules.

Allison thanked everyone for a very productive day.

Adjourned at 3:43 p.m.