

**Kansas Energy Council
Minutes, March 17, 2005**

The meeting was called to order by Chair, Lee Allison at 10:10 a.m., Thursday, March 17, 2005, at the KCC First Floor Hearing Room, Topeka.

KEC members present:

Lee Allison, KEC Chair
Brian Moline, KEC Vice Chair
David Dayvault
Sarah Dean
Spencer Depew
Steve Dillard
Colin Hansen
Donna Johnson
Stuart Lowry

Galen Menard
Gene Merry
Richard Nelson
Dave Phelps
Adrian Polansky
Bruce Snead
Dave Springe
Curt Wright

Opening Comments and Introductions:

Allison introduced Joe King, who is here representing the Rural Life Task Force. Joe will serve as a formal liaison with KEC. The Rural Life Task Force has a major initiative to maintain rural life. Allison met with them a couple of weeks ago in Salina, and talked about how to develop energy efficiency. Joe will report back to them.

King noted that Sec. Polansky had a lead role, and that the total task force is 60 people, with a sub committee of 8 people to identify specific communities to identify the role.

Allison announced that the minutes of the last meeting were sent out with the agenda for today. We will give preliminary approval for the minutes, and you have until next Wednesday to make changes. Greg Krissek is to be added as being present at the last meeting. Allison asked for a motion to approve the minutes on a provisional basis. It was moved and seconded, with a unanimous vote to approve. Allison stated that if you see anything that needs correcting, we will make changes and send the minutes back out.

Allison reported that there is a lengthy agenda for this meeting – hope today that we can get a better sense of where we are going for the year. We should discuss what the plan should look like, components, and use as a spring board for strategic planning. If we have more focus today, we can talk about issues we want to deal with, and priorities. I will bring you up to speed on the various things that are going on. Joe Harkins will join us at noon to talk about the water planning process. After lunch, we will break into committees, then come back and report on where to go next. Also on the agenda, after talking with different people, we have possible topics for committees. The other handout is a year-long agenda, I want you to look at it and make comment. This is an on-going process.

Springe: Some new developments that might come under a committee purview is the hydrogen sulphide issue in southwest Kansas. This is a big issue that is going to have to be addressed. People are being service cut off, this is a long-term issue.

Dillard: We will take up this issue in our committee.

KEC Budget

Allison: I will take your suggestions about what the Council's role should be. The FY05 budget is \$150K through KCC, to fund operations of the Council for a year, based on commitments we have made, we have \$100K spent or committed. We now have \$50K uncommitted. We are receiving \$7500 to help fund the Future Gen bid effort, and we have another \$5K that has been pledged but not received. The Council turns in a quarterly report to KCC on expenditures.

Staffing Status

Liz Brosius, who was chief of staff left her position at the end of December. I have been wanting to replace her, but KUCR has raised a number of concerns and questions, and made it impossible to hire someone with the constraints the University placed on us. We have been able to hire a clerical student for 20 hours per week. In looking long term, we are going to move the budget out of KU and leave it in KCC, and run everything through them. We would keep the account in KCC, this is a better solution. KU has raised concerns of politics of energy, taken months to approve a position, and put constraints on us. We will continue out the rest of this fiscal year with money through KU. We do have \$50K unencumbered. We will be putting together a proposal for the exec. committee for a clerical student.

Johnson: I saw you have R&D with Kansas Inc. We will be doing a research agenda for Kansas Inc. tomorrow. Is this Council willing to put some money as a match into that?

Allison: Kansas Inc. is doing Research and Development on oil and gas, and we asked them to broaden that study to include all energy R&D. This will be a discussion item for later today.

Johnson: I would ask that it might be put up for vote later today.

Allison: I would like talk about the Governor's fellowship program. Joe Harkins is chairing that program this year. It brings in recent graduates, they serve for a year as a Governor's fellow, and they can rotate around agencies. This year there was a very good group, more than the program can use. Joe Harkins brought forward some people that the program couldn't place. We may think about bringing on the Council as a fellow at a cost of \$33K. We could get a well-qualified person for a year, at a low price, and that person would be dedicated to work on policy issues for us.

Duffy: I set in on the interviews, a lot of these students are long-term Kansans, in their late 20's, and they have worked in many areas, with a strong commitment to public service. They have incredible experience, and are a very talented group.

Depew: Where does the \$33K come from?

Allison: We would have to pay that out of Council funds. I'm not sure when the fellow would start.

Duffy: It would be July 1 so it would be in next year's money, as well as any money that gets carried forward.

Allison: The budget for next year got cut by \$50K but got put back in by the Senate. I am cautiously optimistic for the \$150K for next year.

I will fill you in briefly and open up for discussion about the energy report. We had five pieces of legislation – one of them has been taken out and given to the Governor’s Council, another is an agreement between Counties and Wind developers.

Dillard: How has the use of ethanol in state vehicles been resolved?

McCurry: From an enterprise view, if can get out where retailers are, they can publicize however they want.

Polansky: Bulk purchases are not a problem, but it is hard to find a retailer in a metropolitan area. Ethanol can be more easily purchased in a rural area where it is much desired, retailers can put the label up, and we will see an increase in ethanol use.

Wright: How are you going to track that?

McCurry: We don’t want to get into engine performance. State employees will fill up and may or may not know they are filling up with ethanol. We will do our best to track where the retailers are because state employees out on the road use state issued fuel cards. It won’t be a 100% perfect list.

Allison: There was a hearing in the House Agriculture committee on state usage of ethanol. They can’t track now when used and charged to a state credit card. They are tracking where state agencies are buying in bulk, but that won’t change the reporting.

Dillard: HB2104 – I think it has passed out of the House, and is out of committee on the Senate side. It is progressing.

Allison: The Senate hearing on taxation – there was a concern about reporting, and a concern about how it is tracked. Bankers have discussed with KIOGA to clarify. SB284, our bill to authorize KDFA to authorize revenue bonds for energy use – we are working with the Senate (Sen. Brownlee) who will introduce and hope to get a hearing in Commerce. The fiscal note came out yesterday. The other one is more complicated – the production tax credit. The Governor endorsed it in concept, but wants to look at it more fully. The Senators are concerned on the fiscal impact. The Dept. of Revenue didn’t like the transparency of it. I have had a number of meetings with the Dept. of Revenue and the Senator Brownlee. The Governor introduced her own bill, SB280, and there was a hearing in the Senate, in the Committee on Assessment and Taxation. A number of people spoke in favor of it, and a large number spoke against the bill. The Flint Hills ranchers organized their folks to speak against it, also the Audubon Society. The Kansas Livestock Association spoke for it, along with the Farm Bureau. There are no concerns on the production tax credit; the opposition was on the Heart of the Flint Hills area. The Governor said no tax credits for the Heart of the Flint Hills.

Johnson: There needs to be an awareness at this table, if you are not already aware of it, about ecoterrorism. We are hearing waves in the movement that are not pretty, it is starting to be a framework, and the verbage is starting to come out.

Allison: There was one person who attended the hearing who said he would sabotage the Muncers Creek project and targeted one person.

Dean: Did any of the more rational people that were testifying, separate into sections in their minds about either of two ways of pursuing? One would be to follow on to the federal tax credit, and the other is the community wind farm, an incentive.

Allison: They commented on both but spoke to them both being bad. They can recognize both options, but both would destroy the Flint Hills.

Moline: Microwave towers do not pollute the Flint Hills now, ha, ha.

Allison: They were saying that if this bill passed, the Flint Hills will be destroyed. We have a real fight on our hands.

There are some other bills out there, Bruce, you have been the spokesperson for SB284.

Snead: This bill, in the utilities committee addressed energy efficiency. HB2240 was introduced, and there was a hearing the same day. Amendments to the bill – provide guidance to KCC about efficiency and conservation for the state. That bill was gutted on Tuesday, and turned into a telecommunications bill. The bill presented an opportunity for the KCC to have the authority and expression of the ability of KCC to address energy conservation and efficiency and establish a ??? for it. This would resolve an issue we have heard ever since I have been on this Council. I don't know where it will go now.

Springe: I am amazed at how it got turned into a telecommunications bill. The chair of the House utilities committee is not happy about it.

Allison: I mentioned the transmission authority bill – this would allow a mechanism like the turnpike authority, to bond and build electricity transmission authority, but there is some opposition to it as it is viewed as a wind bill.

Dillard: bill ??? – Is to be used for energy education – oil and gas primarily, but the money doesn't go directly to the state, it goes to an oversight board, about a \$1M a year, from production in Kansas. There is a disagreement among producers, but we are getting back on track. Even if they remove the royalty portion, it will be a huge administrative burden, and even if it passes, it may never be implemented.

Dean: What about the eminent domain bill?

Allison: The bill has now been stripped of the utilities and developers for turbines or power lines. The power lines are taken out, it is now just for turbines, wind developers won't come in and use eminent domain, so the thought is that it could be used for other types of energy. They didn't want to start down that road.

Allison: I will bring you up to speed on the wind and prairie. The Wind Energy Siting Guidelines is a compilation of rules, zoning, and laws of four counties that have been adopted. It was ready by the first of February and was sent out for review. We are still waiting for one entity to return the review. I'm hoping that within days we will get their signoff, and can get it published in a couple of days.

Johnson: How come members didn't see the Guidelines when it went out for review?

Allison: I asked the executive committee who it should go out to for review. It went out to municipalities, etc.

Johnson: I thought if we were going to be asked to approve them, we would have been able to look at it. I'm getting concerns from developers.

Allison: Everyone that has seen it has been up in arms about it being regulatory. It is not state guidelines, we are not setting policies. It is just a compilation of what is already out there. We wanted cities and counties to see what others have done.

Springe: I'm confused as to why if it is just a compilation of what is already out there, it is being reviewed.

Allison: It wasn't circulating widely because complaints are that anti wind folks say they are not strong enough rules, that is not what this is. This is not a new document. It is a compilation to help local governments and others to see what has already been done. We thought this would be a huge debate and people would be wanting to rewrite the document. That is why we didn't send it out widely. We can put it out to the Council, but I caution you that if you send it out to everyone, there will be lots of people wanting to rewrite the document.

Merry: Counties do their own zoning, and have rules, this is a perfect tool for us. Planning commissions can use it.

Snead: If the KEC endorses it as a tool, we should have the opportunity to review it and recommend it at the next meeting.

Allison: I will treat it that it will have technical reviews from local governments, then it will be sent out to the Council.

Dean: Why can't it just go to Gene's group, then they take charge, and KEC won't get labeled with problems with it.

Allison: The Assoc. of Counties have made excellent suggestions.

Dean: Maybe we should not send it out with KEC title on it. Have it be from the Assoc. of Counties.

Allison: I will send it out to the Council tonight or tomorrow morning to see what comments you have.

Allison: You have a handout of congressional project requests and issue briefings for the federal fiscal year 2006, presented to the Kansas congressional delegation by the Kansas Natural Resources Sub-Cabinet. Does anyone have any issues, or concerns with the President's budget? The state takes a formal position, so if this Council wants to take a formal position, it may be a way to use the process for other legislation. I will ask Stuart Lowry and Colin Hansen to comment and explain what this means for Kansas consumers.

Lowry: There are agencies set up on the federal level to market hydro power. Kansas has the Southwest Powerpool power administration, which moves rates to market levels, the rates are set based on costs. This system has been in place for 50 plus years. Some of the costs have been recovered, but others are ongoing to maintain the system. The rates are still lower than market rates. The administration recognized that there is a gap, if they can charge the market rate, they could recover more money that can be used to fund the federal budget. This would be a source of revenue, but would be a selective tax on those consumers that receive hydro power from these projects. This is a big issue all over the country. We tried to do a measurement of what the cost would be if the rates would be increased 20% per year. It depends on which administration each year. The information that Colin gathered from Oregon shows it would be 106% increase, 20% would be \$1.6M, retail level would be half a million, roughly \$2M overall.

Allison: In terms of the percentage, it is less than 10% of your total. But you will see a \$2M increase over 4-5 years. Consumers would be paying \$10-20M per year to subsidize the federal government.

Hansen: That is \$106M, \$200M cooperatively.

Allison: Do we need to get the Council involved in this process? Do we want to be developing these ideas? Should we break into committees and discuss whether this Council should be looking at federal government budgets and energy issues policies?

Allison: I have a draft proposal I will circulate. The Kansas Farm Bureau asked me to make a presentation a couple of weeks ago on energy and how it relates to farmers and rural areas. Community wind farms are smaller scale projects with 20-30MW capacities. The Farmer Coops around the country are doing this. It provides electricity to farmers, are smaller niches on the transmission grids, and they can use smaller amounts of capacities. That idea has really grabbed hold. The Farm Bureau has asked us to form a partnership to provide information around the state, bring technical expertise, and they would co-fund the preparation of the briefing materials, like handbooks to leave with local groups. The Council could play a role in finding groups to work with the farmer groups, like municipalities. This is a draft proposal for you to consider in your committees. The Farm Bureau board meets April 2. We will then come back from the committees to see if the Council wants a formal agreement with Farm Bureau.

Dean: Why are they interested in partnering with KEC, why do they need us?

Allison: They are farmers, they don't know wind.

Dean: Do we have the expertise?

Allison: Yes we do. There are new ideas out there, and we can put them together. We could fund the document for communities.

Dean: Is this an outgrowth of the Rural Life Task Force?

Allison: I don't know if it is specific to that. Community wind farms seem to be something that is grabbing hold.

Merry: Are there other players?

Allison: We would look for other partners. We would bring the energy side, and they would bring the farmers. I have talked to Randy Allen, with the Association of Counties, and decided to pursue this and talk about it.

EPA state coop program – there are two different things going on with EPA where we have been approached. EPA green power partnership provides assistance in choosing green power. The Governor pushed for green tags in the state. Scott White is working on what other states are doing. EPA heard about that, and has a program. The renewables committee will look at that. Do we want to formally partner as a state. There is a one or two page form to complete. I believe it is called State Partnerships – Clean Energy.

Ploger: This is another voluntary program, to clean up the state, for air and energy.

Allison: No one out of the Great Plains has signed up for that. Kansas might be welcomed into that, if appropriate energy agencies in the state say they want to participate.

Ploger: In other states, the agencies are like our state Energy Office, like what we are here at KCC.

Allison: I will ask the renewables committee to look at this issue. Does the electric committee want to? You can report back whether this Council should endorse Kansas to be part of that.

Ploger: There is no commitment cost wise, just voluntary.

Allison: One thing the Governor asked us to do was see how much energy that state government uses.

White: This is the first go through – HB2048 is a bill that requires all state agencies, by 2007 to purchase 2.5% of their energy from renewables and by 2010 to purchase 5% from renewables. The question is how much do state agencies consume. This handout shows the first contacts with state agencies. 2.5 % is 11M KWH. There will need to be 2.5 wind turbines to come on line to have 2.5% of state energy to come from wind power. This is state buildings, and universities. There are other, smaller entities out there. I hope to have a more thorough investigation by May.

Allison: This doesn't mean that these would be new wind turbines, the state would have to be committed to buy from existing wind turbines.

Johnson: These numbers are not making sense.

Phelps: 9,000 hours times 5MW. I think you need to double the turbines.

Ploger: I'm wondering about the percentage of dollars. I know what the state spends on energy use in total gas and electric.

Allison: Just getting the numbers has been complicated. We will get to what the fiscal impact is, either buying green credits or green power. Do the renewables and electric committees want to look at this?

Springe: We testified against this bill, because of what the fiscal impact is on the state. It depends on if it is rolled into other states.

Moline: There has to be something in the state that shows how much is spent on energy costs. We have to know how much to increase or more likely it will be spread out to everyone else.

Springe: Most of the coops would say they qualify for the 2.5%, Aquila would say they qualify. If you look at this in a broad sense, most utilities will be able to provide. There may be enough renewables at each utilities, that you could say all state agencies can have 2.5%.

Allison: The Governor has said this is to be across the state, not on average.

Springe: There are so many ways to look at how much the cost is.

Allison: That is why we have Dr. White here.

Allison: I had intended to bring a two page strategy plan for Future Gen, but forgot it. We need to gear up for Future Gen, it may come up in the Utility committee and they can talk about. The Future Gen bid is this fall, and we have a draft outline. I am thinking about bringing on board some consulting help to evaluate different sites. We need to gear up if Kansas is going to be competitive, how to structure in this Council, and do you still want to pursue? We have a bid committee that is about 25 people that just want to be informed, do we want to have a committee within the Council?

Allison: I also want to talk about some of our cross cutting topics – there will be a number of study items assigned to committees. For example, how to handle some of the topics, and there is a suggestion to have the working committees deal with topics for short periods here and also outside of these meetings. I wanted to pull together energy plans from other states. We have received some but haven't compiled as a packet. For the next 15 minutes, we will talk about cross cutting topics.

Snead: I will talk about conservation and efficiency initiative – I recently sent out a request for interested people to participate. This handout is the response, with the proposed committee, and I also distributed at the last meeting the sheet that showed this as an action item in the 2005 report. In looking at the current efficiency programs at our Kansas based utilities, I developed a report on that and am distributing it today. You can see what the survey was. This was a first effort; in looking at Kansas as a whole, and will compile into a document. We need a subcommittee to proceed with developing that dimension of the Kansas energy policy. I am interested in people that want to work on it, and are willing to commit.

Allison: I think that this would be an area to bring a Governor's fellow aboard. I really rely on this group for policy decisions. We can then bring in support to pull it together.

Merry: Are there questions about the Kansas courthouses in Kansas, are they to be looked at?

Snead: We can add them to the list.

Allison: I tasked Bruce to serve as a committee of one, and bring forward to the Council. Do we want to take this as a motion to be brought to the table to develop an external committee? With an

outline of tasks that you put together, we can ask each standing committee to put down as decision items. Then bring back as action items at 3:30 today, proposed task.
Is this one committee or one task?

Snead: Suggested action steps are components, not prioritized, we have to decide what we can do. This is certainly pertinent, and important to establish the committee, with people willing to work.

Springe: I thought there was a conservation committee set?

Allison and Snead: No.

Snead: There was an external renewables committee.

Allison: When we reconstituted, we put in place the three standing committees. I appointed Bruce to the conservation and efficiency committee.

Springe: Are we still talking about this being a cross cutting committee across all three standing committees?

Allison: I'm thinking of it being an external committee, that brings expertise from all committees and the outside.

Springe: In terms of output, items will come from the full committee, but Bruce's committee will bring forward.

Snead: The proposals would be brought to the entire Council.

Springe: Does your committee bring to the standing committees for them to bring forward to the Council? I'm looking at structure.

Snead: Both. If the action item should be brought to the entire Council, or if it should be brought to the standing committees.

Allison: I will ask each of the standing committees to consider this afternoon.

Break: 11:55, get lunch, restroom break, and at 12:15 Joe Harkins will talk. When he finishes at 1:00 we will reconvene here, and follow up on cross cutting topics.

12:15 – Joe Harkins, Governor's Natural Resource Policy Advisor (former director, Kansas Water Office) – Strategic Planning: how the water planning process evolved and operates in Kansas. When the Water Office started the process in Kansas in 1983, they didn't have a blue print. We found about 12 states with a plan. Most plans are out of date before they are published, the world moves faster than we can push paper. We came up with a concept written in short, succinct sections. We produced the plan as it evolved based on the issues that were most important, and we addressed issues that were worrying the Governor and the Legislature. This was the primary audience, and we produced a document that was useful to them. We made it available on their schedule. We started in June, with the planning cycle being annual, and new policy recommendations out the door by June. We also invented the concept of putting subsections in notebooks so whoever held the water plan

could receive updated sections. This was not workable, as you couldn't count on people to keep it up to date. So, we had to invent the internet – put the plan on the internet so it was always up to date. We made the Water Plan short and readable.

The Process – handed out a flowchart, showing what has evolved over 20 plus years. You may find some of these things fit your needs. I recommend that if you adopt this or something like this, make it structured and disciplined, know what steps are going to be taken, determine if all bases are touched on along the way.

A concept paper and plan of study would go to this Council, you would decide if you would proceed along that topic. If it is OK, then you go forward, create a technical advisory committee, true experts can come from anywhere, ask the best qualified people to come forward and help, develop a background paper, then develop a preliminary draft section, and then it goes back to the Council. The Council will decide if it will go forward or stop right there. If it goes forward, you take it to a public session, then have a working draft section, it goes back to the Council for approval. If you decide to continue, you have formal public hearings. Then develop a final draft section, it goes to the Council for approval of a final plan. There have been a few things we have learned – we started out saying we would do every year, 20 years ago there were so many issues dealing with water. The Legislature was begging for issues to look at, but that is not the case today. Issues pop up at any time. We abandoned the one year cycle, now we turn on the process whenever needed, we decide if it should be a 6 month study, a 10 month study, 24 month study... We distributed a document that is an incredible amount of research to develop policy. The process is a whole lot more important than the product.

Snead: The mechanism used to work a policy issue through, does that go to a staffer, to Lee, or to a team?

Harkins: There is no set pattern, if it is a project that is clear, a person on staff can take by themselves, but if it is something beyond the capabilities of 1 or 2 people, then a team is formed, if need to have a team within the organization it would then go to the outside to find experts to help. It can't be amateurs, it needs to be people purely confident in the subject. Your group will probably have to do some contracting.

Snead: Obviously it takes financial resources to make that happen, the issue here is Council funds. Any thoughts on the message you send that leverages the funding dollars for projects you describe?

Harkins: We tried to develop a capacity to sway other agencies to help with these projects. In your case, you are going to have to do a lot of persuasion, use free help, and you are not going to have the money that this state puts into the water plan. The Kansas Water Office is the largest water plan agency in the nation.

Ploger: I was around when this happened. When the legislature set up the Water Office, how much did the legislature give you to help with the process, and how much flexibility?

Harkins: The legislature set the words State Water Plan, we invented the process, and the plan, and we made sure what we were designing was what they expected.

Ploger: Even today, you can tweak the process.

Harkins: The Water Authority does that, much more flexible schedule. We had one subsection that we would update.

Dean: You went through each of these steps for each of the sections, and you made up these notebooks and that is what you have today. Was there any kind of umbrella for this?

Harkins: Yes, there were 4 categories, dividers in the notebook. The internet revolutionized the water plan.

Dean: Do you see anything different about planning for energy for the future, like 25 years or so, anything different to begin with?

Harkins: Water is very broad, just as much as energy. You need to find out what the burning issues are that people are trying to make decisions about. Once you get on that process, then begin anticipating instead of reacting.

Dean: This process was driven by the need that the legislature had, very specific subjects. You had hundreds of subjects.

Harkins: Hundreds, Water Authority would say what they thought. Every time one of these cycles was finished, we would disband the technical advisory committee. It starts to get cluttered, we also had functional sub committees of the Water Authority, which was an extra step that wasn't needed.

Allison: When you came back to the Water Office a few years ago you made changes, not in the process?

Harkins: We improved on things that did work as opposed to looking at what worked and what didn't work.

Johnson: I never thought about planning by small segments,. I always think of a strategic plan as wholistic. So you put it out in parts to make it look like you are making progress.

Harkins: Some sections get stale, and you throw them out. The current water plan is just pertinent stuff. This type of short term plan is best done in a long range plan. If you take time to work as a group, get common vision of the future, create context then the individual policy recommendation will fit in that, you can see how it will fit together to form a policy framework to serve the state. Think strategically, but don't try to write a comprehensive strategic plan, there are forces already out there.

Phelps: What is the structure of Water Authority?

Harkins: It consists of 24 members, who are state agency heads, along with private citizens that are appointed by groups, and a couple of at large members. These people are picked because they are qualified. The learning curve is the political environment. Agency heads don't vote. Very influential organization goes up and down because water becomes important and then it goes off the radar screen. Right now energy is on the screen.

Allison: This is another topic for the committees, the process of planning, and what initiatives to pursue. Two things before we break into standing committees – how to deal with multi-committee topics.

Johnson: On a personal level, I don't want to get to October or November and not have any kind of consensus in the group. I want to start to have interaction, have consensus, and I have suggested to Lee, that instead of having a two hour breakout, have a half hour, then come back and work as a task force.

Allison: We could have breakouts come up with priorities that you think are the most important and that your area needs to address. When we reconvene, you would pick what to go with, then if need cross disciplinary, start the process.

Clark: I echo what you said, encourage the group to use our current planning process as an adaptation of the Water Office planning process or the Water Office as an adaptation of our planning process, ad hoc use of the state water plan process. I suggest that we adopt this process temporarily until it is decided upon. The struggles we have been through, much of that can be addressed.

Ploger: The Western Governor's Association is moving fast forward in the realm of energy policy. There are seven task forces, and I sit on one of them tomorrow. Kansas is one of 18 states in this

Allison: We will break into standing committees now – giving you each a large number of things to discuss in a short time. Take a break at 2:45, then come back here at 3:00.

Snead: It seems that the 2005 report has 5 action items.

Allison: It was 5 legislative items.

Snead: This would be a starting point, there are other items that are current issues, but the action items should be where we should start.

Allison: Some things that the administration recognizes, in my job as chair of the Energy Council, that I turn to myself as the Governor's advisor, see where we should be going. There are things that the Council can do, like study items, other topics have come up. We need to decide how to move forward, see what resources are needed.

Dean: We could use a white board or flip chart to make a list.

Reconvene from committees at 3:05 p.m.

Allison: I will ask each committee representative to report back on what you discussed, and what recommendations you can make.

Johnson: Renewables committee: the #1 priority is that we have some kind of cross cutting group that decides how we have some money. We can't do planning, can't do projects, with no staffing, we don't have money to work with. We need to decide how to fund the energy council, and be very broad-minded about funding mechanisms. The budget needs to be \$500K, and be able to hire qualified professionals as contract labor to get jobs done. The group voted that they would like to use

the water model for strategic planning, and we have asked Richard Nelson to keep moving forward on the renewable roadmap as coming out of funds he has for that. We didn't have time to review the two initiatives from EPA. We hope to be able to come back to this at the next meeting, and would like to have the materials ahead of time, have time to read them before the meeting, as there is no time to make decisions. You asked us to comment on the Federal policy initiatives. We think that these should be referred to the budget division as they go through budgets, they would look at items that are happening in federal government. Staffing is an issue, the Governor's budget office is usually doing that. Community Wind proposal – on the general concept, everyone is in favor of it, we would want to have it expanded to include a lot of different groups, bring other groups together, we like the concept, but broaden the scope, so that when it comes to the full proposal there are a lot of organizations involved. So it is not just a Farm Bureau/KEC proposal.

Dean: It should include the Farmers Union, and the Rural Life Task Force.

Johnson: Efficiency and conservation committee – we want it expanded. We would like to see \$5K go to the energy research study if it gets funded by KS Inc.

Allison: Are there any comments or questions for the Renewables committee?

Hansen: Utilities committee – we are making do without Michael Volker here as the economist, and David Springe had a conference call to take. We spent most of our time on the planning process. The group strongly endorses how the Water Office did their planning process. In looking at how they do things, we decided the best use of time was to prioritize the issues for KEC and plug into a flow chart. Future Gen is #1, it is so time sensitive, but there was a lot of discussion that if we do a Future Gen bid, do it whole heartedly, #2 was transmission – RTO concept. It is the most important for electrical utilities.

Nelson: You are talking about all energies?

Hansen: Yes. We then dealt with specific issues from the morning – the efficiency and conservation committee. We talked about the clean energy initiative, and thought we needed more time to review.

Snead: Did you talk about the public benefits fund? That was KEC action item #2.

Hansen: No.

Menard: Steve Dillard had to leave. We discussed at length the H2S gas issue in southwest Kansas, involves natural gas production, this is an issue between KCC and the petroleum producers. We will continue to monitor it, and there may be policy developed at a future date. The partnering with organizations like EPA was hard. When we read what the document is trying to do, we agreed with all the statements in it, so we recommend partnering with that initiative, we see it as a public relations benefit. We discussed the coop plan on community wind farms, and we do support being involved, if we have the time and staff to donate to that, as we are not looking for additional work. Recommend promoting the lower BTU production tax exemptions or incentives. There is a problem with the definition of low BTU, we would like to develop policy in that area. We recommend that the petroleum committee do an analysis of Kansas state taxes relative to other states. It could lead to policy development – one is property tax, and the impact on the oil and gas section, particularly equipment. Some cases have gone up seven times, some have doubled. The other big issue is the

state gas excise tax when compared to Missouri and Oklahoma, there is a 7 cent difference. If you live on the border, people will drive across the border to get gas. We would like to study those issues further. We support the congressional project requests. We would like to see DOE funding for fossil energy oil and gas research restored to the original budget. The committee support the water office planning process for strategic planning. In using that process, we would be taking one issue at a time and think that is the way to go.

Allison: I think that was time well spent, you had common themes. There is broad support for adopting the water office planning process. On the EPA initiatives, it sounds like we need to look at what the commitments would be, and what resources are needed. The Farm Bureau proposal – there is support for the concept, if we broaden the participation. I will modify the proposal to Farm Bureau.

Hansen: Our folks were thinking that we needed to do a cost benefit thing before piecemeal.

Allison: If we adopt the water planning process, would conservation and efficiency be the first concept paper? If we pick a topic to start with, one would be renewables cost benefit/roadmap, one would be conservation/efficiency. Bruce brought a paper today to KEC. If we take Bruce's paper, we would develop a technical advisory committee, and would work with them to develop a background paper, with a short section brought to the Council to review/adopt as a draft.

Depew: How many can you have pending at once? It sounded like you would have individual topics.

Allison/Snead: No, we could have simultaneously.

Depew: What is the idea for the first one. Would we have public hearings?

Allison: The Water Office has public meetings.

Depew: I don't see having public meetings.

Snead: I see having public meetings for this. The participatory process is essential, we have to have hearings.

Allison: Are they hearings or meetings?

Johnson: We may want both stages, to get input, people feel vested in the process, we then would put the final product out there, this is what we are proposing.

Allison: This requires staff support.

Johnson: If you do planning, you need funding.

Duffy: KCC has two weeks on the road holding public meetings, with 12 staff out there doing that.

Snead: We are going to have to look at our process and what we are going to accomplish.

Johnson: We would have one or two meetings, and do on the internet.

Phelps: If we do this, it would be for policy consideration that was of burning interest to the state, the issues that come from policy makers.

Alison: I see that you want to do this, what is the next step? Do we want to start with a concept paper, or is there another priority or target of opportunity?

Snead: Another priority that the Council has is funding. This is not a policy issue, it is support for action and for work of staff, it doesn't fit into the planning process. What is next?

Allison: We would lay out what we need to do, here is the staff we need.

Johnson: You are making the assumption that you ask the legislature for money. We are thinking of a sub committee to look at all possibilities for funding. I can't see us as being effective at running one of these through, who has time to spend on the road?

Allison: That is the Water Office way, we put together the plan to do, then say this is what we need.

Snead: We would use funds available to us to show that we can develop policy for the state, use as justification to get more money.

Johnson: If you let the funding mechanism go until three, four or more meetings, you are up against crunch time, and the budget cycle. We can't wait to start, we need to do simultaneously, with budget numbers. This puts us back where we were last year.

Snead: The cross cutting committee is to look at funding.

Lowry: That would mean that we need to prioritize the many issues on our list. Which one is the right one. The one thing extremely time sensitive is Future Gen. We have a comprehensive list of what needs to make it happen, should that be where we focus our energies? Every issue needs to be a public policy issue. If Future Gen is not a public policy issue, then we don't pursue it as a priority. I thought it was brought to you, Lee, and you were to hand it to us.

Allison: I pursued it, not as a policy issue, but as an economic development/commerce issue. It is not a policy issue.

Nelson: Efficiency drives everything, it has to be number in policy.

Lowry: A philosophical point – who are we to decide what are the burning policy issues? Do we take our cue from the Governor or legislature, or do we do what we think is important?

Allison: Last year the Governor put out a full and We have been given the charge to be the energy policy arm of state government. We would take back to the legislature. The Governor counts on us to develop policy.

Phelps: We should work on a renewable policy for policy makers in the state. On other issues like transmission, there are no policy recommendations to make.

Johnson: I think we should come back to the next meeting and the transmission and renewables committees should meet together.

Snead: I don't care whether efficiency and conservation is pushed or not, we already have the roadmap funding. We can develop substance, and leverage what we already have. Wind energy is predominate in the state, in terms of legislation. We should look at what we have already done, take it broader to the renewable energy resources roadmap, which ties into the Governor's request to KCC on green tags, and renewables energy credit.

Allison: Jim Ploger is on the Western Governor's Assoc. This is a most contentious issue in the Governor's office. In the energy plan last year, we looked at renewables credit.

Johnson: We already have money coming in.

Lowry: In using the public policy planning model, this would be an issue for the technical advisory committee. We have bright operations people in the state, we should get them involved.

Allison: I see that we have consensus. The renewables resources roadmap will be used as an umbrella, with wind, biomass, ethanol, renewable energy credits, transmission, etc. under it. We will look at that as the number one priority for the planning process. We will develop the concept paper here, but we can't wait 2 months until the next meeting, we will send it around for review.

Dean: We need to appoint a committee, it will take time to find the right people, we want to get good people. That would come after developing the concept paper, bring it back here to the Council, this is what we all agree on.

Dean: They (Water Office) contracted with professionals to come up with a concept paper with a lot of interaction with people on the Water Authority.

Allison: I think anybody can come forward with a concept paper. The staff on the Council will take the lead and put it on paper, like Scott White and Richard Nelson.

Dean: So they are contractors?

Allison: They are staff. A lot of concept papers come forward, but the Water Office staff do the writing.

White: Are these concept papers on line? So I can get a feel for what they do.

Allison: They are short.

Snead: We need to start gathering names now, or do simultaneously, finding people who are willing to serve. Members should make suggestions, if you know of folks, approach them, let them think about serving, hopefully they will volunteer.

Allison: On conservation/efficiency. Do we have the resources to adopt as a concept paper?

Snead: It was not written as a concept paper, it was a background paper.

Allison: Do you want to pursue this, kick off the planning process, so we would be at step 2, then create the technical advisory committee.

Springe: It looks like Bruce's testimony in the legislature. I'm unclear on what a concept paper is. If you look at Bruce's first bulleted point, that is a policy statement. There is no developing that. If we are working on concepts, what does it mean to develop a concept, or are we taking a step, this is approved concept, then we are moving forward.

Snead: I would submit something different if used as a concept paper.

Springe: I agree that we need to develop a concept paper. We should look at what we should do, this looks farther than that.

Allison: I will ask Bruce to submit a revised version of this.

Johnson: We are jumping before we do our homework. We should look at what the Water Office used as a concept paper, need to look at the framework. I'm not that familiar with what the Water Office does, we need a model.

Dean: That is what Scott's question was, to find a model.

Allison: I will ask Joe Harkins for that. We can move forward with the roadmap. I will ask about the partnership with Farm Bureau. They were excited with partnering with us. Is it your suggestion that we hold off?

Lowry: We discussed the proposal to partner up with Farm Bureau. Do we know enough about this to think this is a good thing or a bad thing? If the decision is up to us, is this something we would recommend to our boards, and we decided that we don't know enough. It is hard for me to say that it is not smart to do at this time, but there needs to be a comprehensive study, use the cost vs. benefit, and then act. I'm having a hard time making a political decision and making a sound business decision.

Allison: We may need to talk with Mike Irvin at Farm Bureau to see if some of the things we are doing in our long term planning process would go along with this, then see if we move forward.

Lowry: Plunging ahead without looking at hard could create a firestorm.

Allison: I will rewrite the proposal - Farm Bureau and the Council can bring other groups in to look at the issue, and can still go out and talk to communities. We know the benefits and tax incentives. We can give the information that we know about. We would partner to explain the technical and financial aspects, but not endorsing.

Phelps: I feel that it is very troubling as a policy-making body partnering with an organization like Farm Bureau on a specific issue.

Moline: We are not going to get anywhere until we get the legislature involved in what we do. It doesn't matter if it is funding, or proposals. They know this is the Governor's group, and they see our report on the first day of the legislature. I think we need the legislative research staff to come here and meet with this Council. Certainly on funding, we had some in the legislature that wanted to take out the whole \$150K. We are going to have to get them more involved.

Wright: They are going to have to have their hands on what we do, in order to get funding. Right now, they put the report in a desk drawer, if they were involved in the process, they will feel like we accomplish something.

Snead: Legislative research staff is the way to reach the legislature. I know there was discussion when the KEC was developed, about legislators, agency heads, etc. serving on the Council.

Moline: May be there should be ex officio members, they would come and listen, it can't hurt, and it may help.

Snead: We could initiate them.

Allison: We could put them on the e-mail distribution.

Donna, your committee recommended a cross cutting committee to look at funding. It could be a task force, bring in external members, it could be someone in the Water Office, who could explain the costs of what it takes to do the planning cycle.

Johnson: They don't need to be on the Council or task force, they could just do a presentation.

Allison: We can ask each of the committees to have someone serve on the task force.

Snead: I would encourage a balance, 4-6 people, if they have input they are more likely to represent the Council.

Allison: I will follow up with committee chairs to see who can serve.

Dates for next meetings: we can put a calendar out for the time periods, and have people cross out when they are not available.

Dean: Could we meet once a month? There is a lot going on.

Allison: That is a lot of time commitment, this gives us time in between for staff to do assignments.

Duffy: The Water Office staff is not just in on the Water Authority meetings, it is staff at other agencies.

Allison: I can call on other staff in other offices and agencies for help as an advisor.

Commerce/Ag/KCC have all offered assistance. We will be calling on them for staff support on the technical advisory committee.

Johnson: What about the KS Inc. energy study?

Allison: The recommendation was to allocate \$5K to contribute to a R&D study at KS Inc. What are your thoughts?

Snead: So moved.

Nelson: I second it.

No discussion. Vote: unanimous.

Meeting was adjourned at 4:15 p.m.

Respectfully submitted,

Debbie Douglass