

**Kansas Energy Council
Minutes, May 19, 2005**

The meeting was called to order by Chair, Lee Allison at 10:12 a.m., Thursday, May 19, 2005, at the KCC First Floor Hearing Room, Topeka.

KEC members present:

Lee Allison, Chair
Brian Moline, Vice-Chair
Patty Clark
David Dayvault
Sarah Dean
Steve Dillard
Donna Johnson
Greg Krissek
Stuart Lowry

Gene Merry
Richard Nelson
Dave Phelps
Adrian Polansky (afternoon)
Bruce Snead
David Springe
Michael Volker

Visitors:

Colleen Anderson, Landowner/Flint Hills
Susan Duffy, KCC
Rick Gasoway, Black and Veatch
Joe King, Rural Life Task Force

Jessie McCurry, Dept. of Commerce
George Powell, KC Board of Public Utilities
Sherry Wilson, KACEE

Staff:

Scott White, KGS
Melany Miller, KGS

Opening Comments and Introductions

Chairman Allison described that several proposals will need to be voted on and a number of reports that will have discussion and follow up action on.

Legislative review

The Kansas Energy Council recommended four pieces of legislation. All four were introduced, but only one passed.

SB56 – An act to remove the mandatory labeling for 10% ethanol mixtures at the gas pump. Rescind Subsection b of Kansas Statute No. 79-340 currently requires that retail gasoline pumps with ethanol blends be labeled.

Passed and signed into law.

SB284 – An act providing for the issuance of bonds by the Kansas development finance authority for Kansas energy projects.

Heard by the Senate Commerce Committee but no action taken. The bill was formally opposed by the Sierra Club. –They argued that the bill would allow fossil-fuel and nuclear energy projects to be funded by the proposed bonds.

SB251 – An act to provide a production tax credit for renewable energy.

Replaced by SB280, which was proposed by Gov. Sebelius.

SB280 - An act to provide a production tax credit for renewable energy if the federal tax credit expires, and to provide a smaller PTC for “community wind” projects. The credits would not apply in the Heart of the Flint Hills.

Hearing was held by the Senate Committee on Assessment and Taxation on March 2nd. The Committee took no action. The bill will be held over for consideration during the 2006 Legislative Session.

HB2104 – An act to amend Article 9 of the Uniform Commercial Code to restore a priority creditor status for sellers of oil and gas production when a purchaser is in bankruptcy. Such an amendment would follow the language of the former K.S.A. 84-9-319, which was repealed in 2000.

Passed the House, 123-0, but stalled in the Senate Judiciary Committee.

Other actions

KEC proposed clarifying the legality of negotiations and discussions between wind energy developers and local governments regarding voluntary payments for wind projects.

After discussion with legislators, staff, and others, the issue was referred to the Governor’s legal counsel for review. A response is pending.

Budgets

The Governor’s budget recommended \$150,000 for KEC funding. The Legislature approved \$100,000.

The Legislature funded the Governor’s request for Conservation Easements at the level of \$31,500 which is enough to provide matching funds for the one easement request submitted to the federal farm program.

Discussion

David Springe raised concerns about the potential costs to consumers and utilities from the passage of H2263 which created the Kansas Electric Transmission Authority. He noted that KETA will only build transmission lines when the utilities decide the benefits do not outweigh their costs.

–

Brian Moline said the philosophy appeared to be that “if you build it, they will come.” He questioned whether there will be a pass-through charge on consumers bills to pay for KETA-built or financed transmission lines.

Lee Allison described KETA's charge to build transmission lines for economic development. FERC and SPP have the ability to build transmission lines for reliability purposes and to meet customer demand. The State of Wyoming has the first such transmission authority and may build transmission lines to sell electricity to the west coast.

Brian Moline noted that KETA will be an unregulated entity and could result in socializing risk and capitalizing gain.

Governor's Direction to the KEC

Lee Allison compared the energy planning process to the existing water planning process. The Water Authority makes plans and policies, and the Water Office implements them. There are funded water agencies that help to carry out the plans made by the Water Authority. The Energy Council does not have an equivalent state agency to implement its policies. The State Energy Program based at KCC, is mainly focused on pass-through federal monies, and there are some energy programs scattered throughout state government. The Governor's office sees the Energy Council serving as double duty, both developing energy policies, and implementing those policies. KEC will do this in cooperation with state agencies that are appropriate.

Bruce Snead asked how to fund these efforts or if we will rely on volunteers

Energy Planning Process

Allison: The next item on the agenda is to talk about this planning process. We would lay out what we are to do, and then say, how are we going to achieve it? This Council is being asked to carry this out. We have to turn the plan in to the Governor so we will get the acquired funding we need to carry this out. What would it take for Kansas to have programs for green energy from the utilities? What would be the costs?

FutureGen report

Alex Silver with Black and Veatch has talked to Henry Cicione in Ohio, who is with Battelle Institute which is managing the FutureGen project for industry. This is an industry partnership, a consortium of the largest utilities that use coal in the country. They still have not signed the agreement and are a year behind. There is nothing for us to do right now until they are ready. We have been gathering the GIS material for this project. We have the geologic units, saline aquifers, oil and gas, coalbed methane fields that could serve part of the state. We are working with the railroads to see where this plant would be sending product across the state and the access to it. We are also looking at localities that would be willing to host this plant, and utilities that would host or donate land to build this plant.

Johnson: Is a report coming?

Allison: Yes, we will provide a report on this. We are holding off putting resources into it as we did not know the rules or requirements. There is a regulatory and permitting process, and we had a list submitted. It is time we have some funding from Kansas Inc. and we needed to hear back from the Governor to know that this is what we should pursue.

White: The SEC website hadn't been updated for over a year. We are working on the website and adding new information. I don't have a report on green tags yet. Green tags and renewable energy

credits are very similar. Some states allow the utilities to meet the standard by purchasing renewable energy credits (REC), having so much energy from renewable resources, up to 1200 MW, they can buy environmental attributes from a project in another part of the state. They may not have the renewable resources in their area, but may transfer REC's from another part of the state. Renewable Energy credits can be purchased from Hawaii, let's say. The state could mandates this. A-With a mandated RPS with some teeth behind it, REC's could sell for as much as 5 cents a kilowatt hour. In Texas, it is \$10 a credit (1 cent per kwh). Kansas does not have mandates on this. It is-would likely be a voluntary program. If the state government used some renewables, they may want to have the ability to buy renewable energy from the state. Voluntary programs are coming in at less than a cent per kilowatt hour. If Kansas wants to have a program, it will be voluntary, unless the state-State wants to buy it. There are various programs out there and their costs vary. Some utilities have coal and would cost more. There are companies out there that the consumers can buy from such companies as the Gray County Wind Farm. There is a brewery in Colorado that buys enough credits to match all of their electrical consumption.

Moline: If the legislature changes the policy, as a matter of the public policy, that is a legislative decision so the public knows what to do with it. It shouldn't be done on this basis without really understanding fully.

Phelps: The market exists. They offset some costs from green production someplace.

Johnson: Make sure they are real.

Springe: The markets drive things. It seems that some events are driving companies for marketing purposes. You could offer a tariff to utilities in the state and see if you have any takers. Half your industrial base would be able to buy into it. Marketing will drive this. I would love to see the utilities get into this.

Johnson: It must be reasonable.

Volker: The cost of what they are selling this for is not a significant amount of money,

Moline: We talked about climate changes and it scared me. It could change tomorrow.

Clark: Part of this discussion goes to set public policy. Since we talk about various aspects, we need to approach it with this in mind.

Springe: We should spend less time on how to create transmission lines, but we need to spend time on how do we create a platform on how people will buy this.

Allison: We can look at voluntary green tag programs, and whether the power company generates this, or buys the credit from somewhere else and then provides it to the customer. Kansas stood out as one of the few states that doesn't offer voluntary programs. So what would it take to offer these? Westar had one of the earlier ones but it was expensive and didn't work. Is there something we need to do and can do to get these companies to be able to offer this? If it is not cost effective for utilities to provide this, can they buy it elsewhere and then sell it for a profit?

Dean: When you talk about buying and selling this, and monitoring, is the thought on how to get the green tags anywhere? Or just primarily in KS?

Allison: Some may find that the cost is too high so they may need to buy elsewhere, but the primary goal is to buy here in Kansas.

We could propose this to the Governor that we wish to keep the green tags here in Kansas.

Phelps: We could have some kind of agreement that would allow other states to buy if needed.

Allison: The market is out there, so how and what do we do to market this?

Springe: All of it is sold and owned by contracts.

Allison: Scott White will get back to us with a report on this.

White: State Government on energy use: How much does the state consume? If the state enacted a 2.5% requirement of renewable energy this would be about 5 megawatts of wind. State agencies use about 600 million kilowatt hours.

Duffy: KCC ~~is~~has looked at state owned buildings and energy plans. We pay the utility bills and we want to make sure the state buildings get the credit for any reductions. We also are looking into the county buildings. They are notorious for running the air conditioners and the boilers at the same time.

Merry: Why can't Kansas be the first state to produce new nuclear power? Why spend a million dollars to chase down a future wind project?

Allison: There has been some discussion on this at the national level.

Snead: The wind siting has generated some controversy.

Merry: If you go down there (Burlington, Wolf Creek Nuclear Power Plant) now, you would not find the protesters.

Snead: There is a debate over wind or other renewables versus nuclear.

Allison: We are seeing some opposition even in the coal plants. Perhaps we may need to address the Council regarding the need to pursue anything more in this area. What or is there something in the nuclear side?

Springe: We talk about wind and renewables, now we are discussing nuclear, we never talk about natural gas. There are issues with Hugoton, but no one is here representing the gas utilities. You do have the production side of this handled but what about the marketing of it? How do we increase the usage, and who is keeping track of the use? This is just something to consider.

Allison: We talked about forming a budget committee, but I never received any names for this. How should we go forward? General discussion. What is it that we need to accomplish with this committee, so that we can request a budget?

Johnson: How broad are we talking? Staff the Energy Council and implement the plan?

Allison: That is what we need to set up. What do we need as the Energy Council and what do we need to set up to carry it out?

Moline: The legislature has not been as behind us as the Governor has. We need to raise the level of awareness to them of what we are doing to bring them on board with this.

Johnson: How much input do you, Lee, get on what issues we are to work on?

Allison: I do not have much input from them. We did say we needed closer ties to the legislature. We may invite members from the legislative staff to our meetings. I am pretty much in daily contact with some in the legislature. They would like us to go over the Kansas statutes regarding energy in order to promote use.

Dean: While working on the planning, would it be useful to have a legislative session so those committees could help get this moving? They could explain to us what they think we need to work on and perhaps this would help us start some dialogue.

Allison: Yes, we discussed that they might send some of their staff here. We could see if that could be arranged as a legislative session.

Snead: This would allow them to tell us if there are any new issues that we need to look at. We would all have a better sense as to what is coming before we make any decisions. We could look at pending and future legislation.

Allison: Like the Water Plan, if we can develop a comprehensive plan it becomes a blueprint for them to look over and it makes it easier for them to decide whether to pass it or not.

Krissek: The Water Plan is in the state statutes. Are we requesting to put the energy plan in as a state statute?

Allison: We haven't said that specifically.

Johnson: There is no money to do this.

Krissek: Money for a statuted plan is much easier to work with. How it is funded is the time consuming part.

Allison: We will break for lunch, and disperse into our breakout sessions. Reconvene back here at 1:00 p.m.

Allison: Concept papers: If they are accepted by this Council, they become draft plans. If they are accepted in the report, they become part of the plan.

The second part is the Water Plan. I propose that we adopt these two documents as the basis for the energy plan process and then move on to the next step.

Johnson: I have a problem with the 12 steps with the budget. We may get one thing through per year. By the time you go through the process, it will be years. Can we say this is the ideal plan if we get adequate funding, but if we don't get adequate funding, we take on several of the steps rather than the whole thing?

Allison: If we adopt this, we go to the Governor and say, "here is what we need in order to accomplish this." If they say no, then we scale down. My feeling on this, in drawing on University support and several others, we may be able to do two of these.

Margaret Fast (Water Office): Several of our plans are funded under the state Water Plan.

Johnson: Someone has to do the background work, then drafts, public hearings, and rewritings. That is up for discussion.

Dayvault: I don't think we can afford this with the current funding.

Snead: If we put \$30,000 in a budget, that is what we would use to accomplish this process. We should do what we can with this and then go for other funding sources to complete the rest.

Margaret Fast: We have a set group of staff set up to do this work.

Allison: Taking on public hearings is a time consuming commitment. We may not have the resources to go out across the state.

Margaret Fast: When looking at a policy on how to get public input, you should consider what level of public input that you need. The ability to post the material on a website and then receive email input is a great way of getting public input in a way we did not have before.

I have been with the Kansas Water Office just shy of 21 years.

At your public hearings you would distribute handouts of information and then go over them. Once you get to the preliminary draft, decide what it will take to implement the policy? What does it take administratively? What does it take to run a process? It took a significant amount of time and energy to do this for the Water Plan. We had a starting point of issues maybe somewhat like your energy plan.

Allison: The executive order has two pages of things we are to do with no budget dollars to do it with. We are doing the best we can with what we have been given. We need to scale down to what resources we have available.

Johnson: We have x number of people involved but today we are told that we are also supposed to implement some of this. We don't know if we will have you (Allison) later, and Scott is halftime. I don't know how we are going to do this without any money.

Polansky: We have to look at this as if we are going to develop a comprehensive energy plan and go forward. Each one of us may change faces, you can not dwell on whether I will be here next year or Lee. I want to build a plan, a comprehensive and reasonable plan, and not be afraid of the output.

Johnson: We should put in a statement that says we will accomplish what we can with what money we have available.

Polansky: When we started out working on the water plan, we had nothing. We kept going out and building the confidence in the data we were providing.

Allison: I am not sure where we could pull steps out of the plan. We need to do each step to be sure each item is done in the process.

Margaret Fast: We had to start small. One of our people took a part of this and worked it on their own.

Allison: Some options: One is that we allocate a budget for a certain amount of steps. Or, two is to layout the scope of work that would need to be done and ask for the amount of dollars it would take to implement it.

Polansky: We are likely to find at least one policy that we could take forward as an outline to follow. We have an executive order, we could use this as a basis to get what we need; we still have flexibility as an advisory committee.

Snead: I move we adopt the Water Planning process as a framework process for the Energy Council planning process.

Dean: Clarification – we are only voting on the process.

Allison: Yes. Vote. Passes without opposition.

Johnson: First comment: We discussed the draft sheet on the renewable concepts. We agreed we want to bring it forward as a concept paper. We should cross out everything after item 2. We added #3 - implementation/prioritization of the schedule for the sustainable development of the state renewable resource base. #4 is to recognize that external factors will trigger events to change the priorities of the roadmap.

Allison: We have taken the idea from the Water Office. Their concept papers can be anywhere from several pages to multiple pages. The concept paper is that a renewable resources roadmap should be considered as a concept and drafted into the energy plan. That is what we are trying to adopt.

Polansky: We have a small staff so we must seek outside agencies that know about the renewable resources to help fund the research as the concept paper is developed. You would need to develop a list of who would be able to do this.

Duffy: The state energy plan has put forth some group funding from DOE. It is intentionally vague until we know what is next.

Polansky: The deal on renewables is the tax policy.

Allison: Do we want to treat this as a motion from one of the committees as a recommendation and put as a motion on the floor?

If a committee brings it forward, shall we move and second it?

Lets move to accept the renewable resources roadmap. Any discussion?

Vote. Passes without opposition.

Phelps: What is the timetable on this?

Allison: We will let this be part of the background paper or a scope of work. We will form a technical advisory committee that will prepare the scope and the timeframe.

Snead: Energy conservation and efficiency: We have no funds but we have a wealth of information that we can draw on for the background paper.

Allison: Bruce is chairing a committee on conservation. I take this as a motion from your committee.

Volker: I have questions. I propose we table this until we have more comments. This may be a parallel step that KCC is already doing.

Snead: I don't disagree. But there are many other kinds of energy that are not addressed by what you are saying. This could pick those up.

Volker: There are other sectors of energy, some may cross over. It does not just focus on residential and not just on lower income. This could cross over to industrial, and commercial. We may need to put this off until the comments come in from the KCC's committee. That may possibly be June 3.

Dean: There is still the whole process to be done in writing policies, etc. I propose we go ahead with Bruce's proposal and then incorporate whatever the KCC has. I think we should get the process going.

Snead: We will want to incorporate whatever KCC brings to the table.

Volker: I think there will be a lot more detail put into this with the people that have been brought into this. I don't know that they will be ready by the next meeting.

Snead: I wanted to raise the issue of awareness. What the KCC does will plug into what we are doing.

Volker: Some of the regulatory information cannot be put out there as it is not public yet.

Allison: Let's untable the motion on the floor. The technical advisory committee would take into consideration the docket from KCC.

Snead: I don't think there is a need to adopt this today if there is a concern over what the KCC is working on.

Phelps: Michael, you are saying that KCC is focusing on the low income level and there may be a real duplication here.

Volker: That is my opinion.

Snead: How is this duplication if we are incorporating the comments and the KCC document may proceed in a different way, but we proceed?

Moline: I think we just may want to wait on when the KCC comments are filed so that we could benefit from those. Then go forward.

Allison: This could be considered a background paper. We would need several weeks just to get a committee together so they may not even be in session before the comments are out. The motion is to adopt Energy Conservation and Efficiency with the comments from the KCC. Vote. Passed without opposition.

Allison: Community Wind evaluation.

White: Community Wind: Slides from the meeting. Brief summary.

Allison: The proposal is that we will provide background materials. They will show what the needs are, what the roadblocks are, so we have a good partnership. This has a lot of background material and seems to be going over real well. I thought it would be worthwhile to put together some field trips. Ethanol from biomass is one of the interests. The more we talk about this...the more people we find that want to be included.

Dean: (Distributed materials and the group went over them.)

Allison: The Governor has committed up to \$2000 to help with this.

Dean: I think we would only need \$500 or so to get people to help promote this with the communities.

Allison: The council will cosponsor a field trip in cooperation with the Rural Life Task Force to see community wind projects. Vote.

Johnson: Kansas Inc. tasks.

Allison: KGS has a specific project that would cover certain topics.

Johnson: Economic issues and economic impact. There are things we are missing. We also want this to be updated more regularly.

Allison: We left off the budget plan. I have asked Bruce Snead to serve and Susan Duffy to do the budget process plan.

Short announcements: Kansas workforce development program - We have a low profile of staff that helped develop this. This gives basic training across the state. By 2007, there will be a shortage of workers. By 2012, there will be a shortage of power industry jobs. We may want to talk to the legislature for help in promoting in the chemical engineering industry.

We have the Wind Siting Guideline handbook with a CD version.

Ethanol from biomass - This got little coverage from the news media. Using non corn bio materials to produce ethanol.

We have adopted several concept papers today. We have accomplished a lot.

Any announcements? Business?

The next meeting is in Wichita at the Kansas Corporation Commission on Thursday, July 21.

I'm sorry we did not have minutes, but we can send them out electronically for all to adopt.

For the Wichita meeting...no ties as it will be hot!

Meeting adjourned.