Minutes
Kansas Energy Council
June 28, 10:00 a.m. to 4:00 p.m.

KEC Members Attending:

Ken Frahm, Chair	Jeff Kennedy	Mark Schreiber
Richard Anderson	Greg Krissek	Tom Sloan
Roderick Bremby	Janis Lee	Bruce Snead
Patty Clark	Stuart Lowry	Dave Springe
David Dayvault	Galen B. Menard	Josh Svaty
Sarah Dean	Gene Merry	Mark Taddiken
Joe Dick	*Jesse Romo*	Michael Volker
Steve Dillard	*[for Deb Miller]*	Steve Weatherford
Jay Emler	Brian Moline	Curt Wright
Carl Holmes	Adrian Polansky	

Agenda

Introductions and welcome of new members.
Chair Frahm called the meeting to order at 10:05 a.m. and noted the reorganization of the KEC by the Governor in order to expand its focus and more effectively propose energy policy.

KEC members introduced themselves.

Comments on planning process, staff activities
Joe Harkins: We are in the middle of the 2006 planning cycle and have completed the review of the policies that have been done for the KEC. Liz Brosius and Joe Harkins have looked into the key policy issues from those studies and will bring those issues to the council. The plan for today will be selection of topics to do planning on for the remainder of the KEC planning cycle. Today's meeting will serve to approve those items that the KEC staff will put together in a draft plan for inclusion in the Kansas Energy Plan. Today's meeting will not set the Kansas Energy Plan, but rather the draft for the plan. KEC members will decide in following meetings what is and is not included in the Kansas Energy Plan.

Liz Brosius: We've extracted topics and issues from the reports, but encourage members to bring up additional topics.

2006 Priority Topics: RPS

[handout referenced in discussion]

Topic: RPS

I. Current Policy / Program Framework

A. No existing federal RPS policy (federal policy supports wind energy through Production Tax Credit).

B. 22 States have adopted some form of RPS policy; Kansas has not.
C. Governor has suggested voluntary approach, challenging the State's electric utilities to have 1,000 MW of renewable energy by 2015; the industry is one-third of the way towards meeting that challenge.

II. Policy Issues

A. Develop incentives for voluntary RPS (for possible inclusion in 2007 Energy Plan)
   1. State of Kansas RFP requiring the purchase of renewable energy (from 20% to 100%) for all state-owned and operated facilities.
   2. Focus on Community Wind and its desired benefits
      a. Local economic development
      b. Avoided transmission challenges
      c. Improved reliability due to distributed generation
      d. Reduced future Carbon emissions

B. Implement statewide RPS (for possible inclusion in 2008 Energy Plan)

This issue has been partially analyzed by the KCC cost benefit analysis requested by the Governor, which concludes that wind is cost effective when health-related externalities are considered, though utility rates would be higher. The report also considers additional environmental externalities.

1. Develop details of proposed RPS legislation for consideration in 2007 planning cycle
2. Develop details of Renewable Energy Credits for consideration in 2007 planning cycle

III. Planning Resources

A. Consultant (to be selected)
B. Industry representatives
C. State Department of Administration
D. KCC Utilities staff

Brosius: KEC staff began to develop an RFP for a study of a Renewable Portfolio Standard (RPS). KCC staff was already working on a cost benefit study for the Governor, and KEC opted to use the KCC study as a springboard. On the federal level, there is no RPS policy. 22 states have adopted some form of RPS (ranging from 2% in Maine, to an aggressive plan in Texas). The Governor in a January 21 letter suggested that State Utilities could voluntarily have 1000 MW by 2015. When the wind farm being built near Spearville comes on-line, the state will be 1/3 of the way to meeting that challenge.

Harkins: During the June meeting on RPS, industry members noted they would rather have incentives than legislation mandating RPS. The KEC staff discussed different ways to encourage the utility industry to acquire renewable energy. Staff recommendations for incentives include using the State as a customer to push utilities to generate renewable resources and sell the electricity produced for use in State facilities. The KCC study notes that wind energy in Kansas is cost-effective when health externalities are taken into consideration, but rates will still be higher for consumers. The best estimate we have today is that it would cost an additional $3.2 million/year if the State purchased 100%

renewable energy. *[Note from KEC Staff: Based on subsequent discussions with KCC economists, the current estimate for this premium is $6.2 to 6.9 million/year.]* Staff would like to have the approval of KEC to develop a draft proposal for the development of a limited RPS (voluntary or mandated). Community Wind projects are another option that needs to be addressed by the KEC. Community Wind will focus on the potential economic development in rural areas through the development of Community Wind. With distributed generation, staff believes transmission issues may be overcome, and will likely increase the return on the investment as opposed to large-scale wind farms. More wind generation in Kansas will make incremental reductions in the carbon pollution in Kansas. An RFP would be issued to the industry to determine what the cost will be for 100% of electricity used in State buildings.

Frahm: What is the current utility bill for the State?

Harkins: Not certain.

Frahm: The KCC study noted that Wind energy will be relatively close to the cost of traditional fuels without the health externality included.

Patty Clark: In other words, the State Government would be picking up the tab to achieve an RPS for the industry in the initial years?

Harkins: Yes, this is an incentive to the industry at a cost to the State.

Clark: The State will be helping the energy industry achieve the RPS and this needs to be noted in the discussions. Also, Community Wind should not put rural communities at a disadvantage against other communities with respect to utility rates, as it may create a disadvantage when industry is looking at locating.

Joe Harkins: If the council approves this plan, the KEC staff will look at all of these concerns and challenges in order to alleviate some of these concerns.

Richard Anderson: The $3.2 million premium that the state would pay seems too low and should be scrutinized.

Harkins: These costs do include the PTC.

Anderson: The Topeka consumption of electricity is close to $3 million/year.

Harkins: There is no definitive number, but a quick review was done by KCC staff for a basic number.

Anderson: There is only a 30% capacity with wind, and $3 million can turn into $300 million.

Harkins: These questions should be addressed in draft plan.

Janis Lee: Other states already have RPS. In a trip to Minnesota, Community Wind was extremely popular and well integrated into the system. The council would not start with a blank slate but would be able to use the case studies of other states to see what will or won't work in the State of Kansas. I think this is an excellent way to go for the rural area and the rural area would welcome wind farms in Kansas. Wind farms are an opportunity for Kansas. The Agricultural community in Texas pushed the RPS as a result of decreasing oil supplies. Kansas has wonderful resources and should be involved.

Carl Holmes: The PTC has a sunset provision and if the sunset expires and the PTC is not extended, what are the cost factors? What are the implications on the KCC and Industry to deal with 'wheeling'?

Harkins: At the moment, this is merely a "bright idea," and none of the details are worked out. They may not be able to be worked out. The KEC staff has 6 months to figure it out and will be able to take a completed plan to the legislature.

Brian Moline: The KCC study is continually being revised with inclusion of new numbers and externalities. Regardless of all of that, wind is more expensive than fossil fuels. The KCC in making rates has an obligation to allow ratepayers to pay least cost fuels. Industry wants some assurance that KCC will be able to give rate increases as a result of using a more high-cost fuel. The subsidy, if paid by the state in the short-run, would be effective and non-intrusive, to try and reach an end of having wind energy in Kansas.

David Springe: Is the KEC determining whether the State could purchase 100% of energy needs through community wind projects, or would the State purchase from one major wind farm? One large farm would be able to provide the electricity much more efficiently and cost effectively than using community wind. Are we looking at Community Wind or Large Scale?

Harkins: Staff has the intention to accomplish multiple goals – incentives for community wind is definitely the intention of the KEC staff. From the policy-development standpoint, large-scale wind ought to be an option studied in comparison for the KEP.

Springe: The amount needed is definable, as is the cost. The policy discussion of what is more effective or beneficial to the State of Kansas can be discussed, but both options should be on the table for the council to discuss. Also, are we going to figure this out in the next 6 months, or will this be a long-standing project?

Harkins: Staff wants to have this draft proposal by the end of this planning cycle if possible.

Stuart Lowry: Is the KEC task to authorize a study or to issue an RFP?

Harkins: We are not close to an RFP and that would come after legislation authorizes the approach.

Lowry: What are the resources that would be used to look at this?

Harkins: We would look at this in an open forum and discuss with everyone interested.

Lee: It is important to look beyond the immediate dollars at the benefits back to the community if we are looking at the cost implications of community wind vs. large-scale wind. The community can benefit greatly from Community Wind generation.

Anderson: What is the motive for the KEC? Will wind energy ultimately be the low-cost energy or are we subsidizing the wind energy industry? What is the motive behind the entire process?

Harkins: This discussion began with a letter from the Governor to the KEC asking the council to investigate the costs associated with a voluntary RPS. There was discussion of RPS predating the receipt of the letter from the Governor. The KEC is on record as saying it wanted to study the RPS concept. The KEC is looking at the voluntary and mandatory options.

Anderson: What is the ultimate goal and motivation for this option?

Harkins: Reduced emissions from a dependence on wind versus traditional fuel, a diversified source of electricity, and home-grown energy rather than imported energy.

Frahm: 20 years ago energy prices would not have been forecast to be what they are today. Forecasts today of not knowing energy prices would be to get an electric system that does not depend on the cost of fuel.

Mark Taddiken: We need to be looking 30 years down the road as a short-term look and we need to look at wind and other alternative sources. A mandatory RPS would be best served by leading by example. The concept of the state purchasing renewable energy is a necessary study.

Josh Svaty: There are other issues that we need to look at. The state has an image issue that needs to be addressed. We have an obligation to our constituents to send the message of progressive action at the state level. We should step forward to see what the cost is. We approved $2.3 million for a goat-and-sheep barn at the State Fairgrounds; $3.2 million seems like a bargain.

Clark: The way this is constructed is merely an acknowledgment that wind is abundant in Kansas, and is not a lot different than the look at natural gas and oil. The effort is likely constructed in a way to answer more questions up-front of passage of an RPS than other states and will put Kansas in a position to have a much stronger stance. If the study

is constructed at the 100% generation, then we need to look at a blend of large-scale and community wind projects.

Snead: Reasons for economic development, environmental, health of utilities, etc, need to be studied and have great impact on the State as a whole. It makes good sense to proceed with this. We must look at the benefits of distributed generation in other forms of renewable energy as well.

Roderick Bremby: How much does this contribute to the ultimate goal of 1000 MW? Can we look at the 2015 target and a 30-year goal of introduction of other renewables?

Harkins: That is a policy issue that transcends the specific scope of this particular project.

Springe: I thought we were discussing studying the State purchasing electricity generated from wind resources. If the State needs electricity, it would be included in the installed capacity in the state, but the 1000 MW number would be a factor in a full RPS including more than just the State.

Harkins: The State would use approximately 100 MW of electricity.

David Dayvault: I support studying this, but we need to challenge our assumptions about the cost of wind energy and the benefits of wind energy. There is no way of accurately predicting energy prices and assumptions about increased cost of generation. The subsidy could likely be a longer term subsidy if our assumptions are incorrect. The PTC may expire and then the cost would be unusable. Pressure would be on the state. The health benefit standpoint may have been an average federal number and may not have been a factor in Kansas. We may be overstating our benefits and understating the potential costs. We ought to make sure we understand the whole situation.

Frahm: The PTC expires in 2007. If the plant is built prior to the PTC expiration then it still receives the PTC for 10 years.

Holmes: Legislation would not be effective until June 30, 2007 and that would only give 6 months for implementation of policy. Wind turbines are going to be more expensive and likely won't be available as a result of the PTC expiration.

Frahm: The whole debate is predicated on the assumption that the PTC will be re-implemented.

Sloan: The question is whether it should be studied; we've talked long enough.

Sloan moves to recommend that Staff proceed with developing a draft plan document of issues involved in issue IIA of Chapter 5 (changing the 20% minimum to 10%).

Greg Krissek seconds.

The measure passed with no opposition.

Brosius discussed policy issue II.B., the question of what it would take to create a statewide RPS. This part of the plan would not be included in this year's planning cycle, but in the 2008 planning cycle.

Frahm: Is the KCC study publicly available?

Brosius: It is not finalized yet, but the Draft summaries are available to the public.

Frahm: I recommend that all members review the draft summary.

Anderson: When do we anticipate releasing the report?

Moline: There are continually inclusions in the study to ensure fully analyzed document. The KCC believes that we need to consider all factors that are brought to the table. The study will be completed within the next several weeks as the study is ready to be completed.

Anderson: By the end of July?

Moline: The KCC needs to make sure the factors are included in the study to ensure a solid study that can be reasonably assured to be accurate.

Frahm: KEC members remember the study is a KCC study

Moline: The study will be given to the Governor and likely the Governor will give to the KEC for review.

Sloan: Aquila and Empire found that wind generation was the least expensive energy option as a supplement for natural gas.

Brosius: The study indicates that wind is cost-effective without an RPS as a replacement for natural gas.

Frahm: So far, the wind energy has supplanted gas-fire generation; this will likely no longer be a factor in new wind generation.

Moline: KCPL will be building a new coal-plant and ratepayers will be paying the environmental costs of the coal plant. There is a global dimension to the issue of RPS. If new coal-generation comes online worldwide, the delay of new-construction of fossil plants can be a dimension that needs to be discussed.

Jay Emler: Is the KEC discussing introducing legislation in 2008? That would make the legislation 1-year legislation and would be re-introduced in 2009. The KCC draft study is a public document and should be released.

Harkins: The document/report is not available. We are working off of an executive summary that is available and was provided as a courtesy to help move the planning process along. KCC staff has requested that the executive summary not be widely distributed. KEC staff understands the public access of materials but did not want to inadvertently release incomplete information in the form of the executive summary. There is no effort to suppress the information.

Moline: The Exec. Summary has gone everywhere. The actual report has not been seen by anyone, only by KCC staff working on the project.

Springe: Newer versions of the Exec. Summary include the externalities and such; the first Exec. Summary focused more on methodology.

Lee: I would support moving forward with II.B. This is a possibility that the council ought to study the pros and cons of. We will not know whether it is worth supporting unless we do a comprehensive study.

Michael Volker: RECs are a mechanism to separate the renewable aspect of generation from the commodity of electricity. RECs allow the electricity to be distinguished as renewable or fossil. The RECs would sell the value of renewable energy vs. kWh.

Frahm: The value of the REC can be used to meet regulations or to sell as a commodity of buying renewable energy.

Emler: We need to be clear how the RECs work and how they would work in conjunction with the RPS so the legislature can understand what is being done.

Volker: I don't believe there is an RPS that does not include RECs as a mechanism in the RPS. It's not possible if there is no retail wheeling which Kansas does not have.

Mark Schreiber: There are a few states that do not have RECs with their RPS.

Volker: RECs make renewable energy more affordable.

Galen Menard: State manufacturers don't see wind energy as a benefit as a result of reliability, and it could cost millions of dollars. We need to make sure we determine what the cost would be with that factored in. We don't want to make our businesses in Kansas uncompetitive. I would support the study, but we need to get to the bottom line of the cost.

Polansky: Competitiveness is important to consider. However, farmers are faced with decisions of environmental benefit. For example, I decided not to burn my field to

improve the crop for the next year. These decisions, the warm-and-fuzzies, need to be a part of our decision making process and not just be a factor of cost.

Frahm: The KCC study addresses the backup issue.

Lowry: Are we going to develop details of proposed RPS legislation or are we going to study whether RPS legislation is advisable?

Harkins: We cannot determine whether it is advisable until we figure out what it is. After determining a concrete RPS for Kansas, we can determine whether it would be advisable to pass. The KEC will determine whether staff should go forward and look at how an RPS would be crafted in Kansas and then study the impacts of that.

Schreiber: The motion is to develop a policy to study.

Lee: It is important for the state to have a comprehensive study of looking at what is or isn't feasible in Kansas. If there are documents or proposals to the legislature, the legislature will be much more likely to have a comprehensive understanding of what an RPS would mean for Kansas.

Lee moves to implement staff recommendation forstaff to study Part II section B of the Chapter 5 proposal from KEC Staff.

Seconded by Clark.

Motion passed, with Richard Anderson and Joe Dick opposing.

The meeting was adjourned for lunch at 11:45am

The meeting was reconvened at 12:40pm

2006 Priority Topics: Energy Efficiency and Conservation
Energy Efficiency Disclosure Form

[handout referenced in discussion]

Topic: Energy Efficiency Disclosure Requirement

I. Current Policy Framework

KSA 66-1228 requires the person selling a previously unoccupied new residential structure to disclose to the buyer or prospective buyer, upon request or prior to closing, information regarding the thermal efficiency of the structure (single or multifamily units, three floors and under). (The form required for this disclosure is attached.)

No such requirement for resale of existing housing is required.

II. Policy Issue

A. Should the disclosure requirement apply to existing housing?
B. Is the process adequate? Should the buyer be expected to be aware of the requirement?
C. Is the process adequate? Who should be responsible for making sure the buyer is given the information and at what step in the transaction should it be provided?

New Speculation	**New Custom**	**Resale**
1. Design	1. Negotiation	1. Listing
2. Permit	2. Design	2. Offer
3. Build	3. Contract	3. Disclosures
4. Listing	4. Permit	4. Inspection
5. Offer	5. Build	5. Negotiations
6. Inspection	6. Loan Application	6. Acceptance
7. Negotiations	7. Loan Commitment	7. Loan Application
8. Acceptance	8. Closing	8. Loan Commitment
9. Loan Application		9. Closing
10. Loan Commitment		
11. Closing		

D. Is the form adequate? Should the State place recommended energy efficiency standards in the form?

III. Planning Resources

A. Kansas Energy Office
B. Home Builders Association
C. Realtors
D. Financial Institutions

Harkins: This issue came forward from the energy efficiency study. Primary concerns of energy efficiency include residential and transportation sectors. The legislature passed policies previously requiring the Energy Efficiency Disclosure Form be presented, at the request of the buyer (requiring the buyer to know it is a law) or at or before closing, which would make extreme changes in efficiency unlikely to occur. The policy only applies to new construction, and not to resale of homes. Staff believes the form is extremely difficult for the average consumer to understand. The builder is not required to be specific about the efficiency of the home, and the consumer is not likely to understand exactly what is being said in the information that is required. Staff believes we should consider reviewing whether this provision should be updated to include the form to qualify existing homes and make it more readily available to the consumers. This form can be used as an educational tool and as an incentive to include more energy efficient equipment in the home.

Emler: There was quite a fight to get the current proposal passed and this will be a very hard sale, but it is an option that need be passed. If we are going to try to push more than the current policy, the council will have to fight the Home Builders Association.

Snead: This policy is an issue in the top-five on homebuyers minds. Homes are built and left on the market for more than 50 years. The choices made in the efficiency at the time of building will have a serious impact on the future of efficiency for the community. Adding to the cost of new housing will be opposed by builders.

Moline: KEC must keep in mind that ours is not the decision to make decisions based on political viability of policies, but to recommend policies that would put the state in the 'right direction' for energy policy planning. External factors such as Federal Standards changing can create new factors in the chances of a policy passing. The KEC should make a collective determination as to what is a 'good policy'.

Sloan: The Joint Special Committee on Energy discussed this issue before. If we are still looking at what should be studied, everyone has access to utility usage for a home. If KEC is going to study this for resale, it needs to be based on the usage of electricity. Multiplex apartments built by investors are likely to have more information regarding what efficiency is included in the project. For older apartments, usage value may be likely more appropriate to look at.

Taddiken: How difficult is it to come up with a cost to operate a house under certain conditions based on a certain fuel price?

Snead: Price based on cost per sq. ft. Houses vary considerably (1-story, 2-story, 3-story). There would be a number of different tiers to determine the cost of operating a home based on many different factors.

Taddiken: In existing homes, one can look at usage. In a new home, is there a way to determine the cost of operating a newly constructed building?

Snead: There are ways to forecast the cost of a new home. A certified energy rating would be able to determine the annual heating/cooling cost and determine the efficiency, and determine what improvements would need to be done in an existing home. $300 - $350 for a home rating on existing homes.

Frahm: How many new energy auditors would be necessary if all sales had to have an energy audit?

Snead: There would be an extreme need for new raters. There is a training group here in Kansas. How often houses turn over would be the indicator of how many raters would be needed.

Emler: This council should take a serious look at this. This is a good idea. It would be good to be informed, but most people aren't. On resale of homes, the political reality is that we won't see that happen. The investor will roll into the rent any efficiency improvements. We need to look at what we think is the best for Kansas.

Sloan: I would propose that the KEC look at different types of indicators for energy efficiency/consumption, by type of structure, and type of ownership. The council should study at what point disclosure of information is appropriate and most beneficial. Making people do an energy audit is not going to be a reality. Home inspectors are not even known to be beneficial.

Clark: There is a segment of the housing industry in Kansas, particularly in rural communities, who are absentee landowners and a component of this study may need to address that particular segment of housing capacity in this state. An unintentional result could be an improvement in the habitability and efficiency of those types of rental homes in our rural communities.

Springe: It seems we are focusing on what the proper indicator is to give. At the sale of a house, new or used, it is a good idea to present information on energy consumption. The real question is the mechanism that is used. We have a range of options – to mandate that certain paperwork or inspection be done, or creating an incentive to get the industry to market energy efficient housing. If you are able to build the efficient improvements into the mortgage, the savings is more real. We can mandate all we want, but enforcing it seems to be the problem with the current problem. The KEC needs to find a way to get the information to the people.

Frahm: Disclosure makes sense and would provide an incentive for more efficient housing as a result of comparisons between high-efficient homes and low-efficient homes.

Springe: Focusing on the indicators would not be as appropriate as looking at the methods to get the information out.

Dillard: I'm skeptical that the marketing tool would work for energy efficiency. The tax credits in the energy bill aren't being used by builders and many of the builders aren't even aware of the incentives. Some of these providers don't even handle the equipment that would meet the standards. I'm not convinced that an incentive will work, as builders are not motivated by energy savings. Builders are motivated to build at lowest cost.

Snead: The knowledge base of retailers is likely not adequate to take advantage of all incentives. They also may not have invested in the high-efficiency equipment. Communication and education is important to know what the choices are.

Holmes: Current policy requires disclosure upon request or prior to closing and is useless as a result. Some localities require utility companies to do energy audits. Can the KCC order utility companies to do an energy rating prior to turning on a meter?

Svaty: We needed an Energy Council report when we passed this first piece of legislation.

Holmes: The homebuilders will slaughter the legislation in committee.

Moline: The issue for the KCC, the question is who pays for it. The KCC can require it, but would be required to push that cost onto the ratepayers.

Lee: Homebuilders and realtors will support it. KCC must demand that all consumers understand the importance of the cost of energy. Until the customer understands the importance of these issues, this will not be a reality. How did Hays get their mandated audits passed?

Schreiber: There were deaths as a result of carbon monoxide poisoning and the city requires blower-door tests.

Lee: Can we look at areas that have had success in bringing public awareness of the energy cost issue and from that create public awareness? When the public understands, builders will advertise. You can't mandate Kansans, you have to help them understand. As opposed to doing a study looking at disclosure requirements, can we look at increasing consumer demand for more efficient homes?

Harkins: In the next section of the proposal we will discuss a more comprehensive approach to energy efficiency education. We isolated this particular issue because it is an existing policy that seems to be useless.

Lee: The form is currently inadequate. The R-value is unknown by most people as to what is or isn't good. Unless you know what the R-value means, it does no good to know what the R-value is.

Snead: In the "Tips" brochure the information is provided. Disseminating the information is the issue. Other states have some requirements and strong education. Education, technical assistance and marketing are a part of every state program.

Moline: The seller may need to disclose to the buyer what the standards are and whether they meet the decision.

Sloan: We're calling for a study and a motion is on the table. The study will involve the Home Builders Association and Realtors. I resubmit my motion to move the study forward.

Frahm: Is the motion to accomplish the Policy Issue asproposed?

Sloan: The most appropriate indicator may not be the R-value for all types of ownership.

Holmes seconded.

Curt Wright: There was nobody who cared about miles per gallon until it was required to be posted on the window of a new vehicle. The education process came about after it was in front of someone when they were buying a new vehicle. If we required this for homes, the education process is beginning.

Frahm: Part of the education process is making information available.

Holmes: If we bring the Home Builders Association and the Realtors to the table, then we can understand what is or isn't possible. We must do what we can to get them to the table.

Clark: I would suggest that KDFA be involved as a planning resource.

Steve Weatherford: KDFA administers all of the Federal Housing programs. We also run the weatherization program and do an energy audit and finance any improvements that are recommended in the improvement based on a certain dollar amount. The legislature approved $2 million to create a revolving loan program for low-income residents to improve energy efficiency programs. KDFA is undertaking this with federal and state dollars. This proposal is something that needs to be studied. We need opposition to be involved on the front-end. I think it is possible to get HBA and Realtors to the table to have initial discussions.

Anderson: If we do anything other than a voluntary group, how are we going to mandate it? Where is the oversight? What are the penalties? Who is going to pay for the inspectors to inspect the inspectors?

Snead: The issue of compliance exists with any type of code requirement. Following up on compliance is important.

Moline: If we allow attorney fees to be paid as a provision of law, there is a self-regulating mechanism to ensure compliance with code.

Motion passed with unanimous consent.

Holmes: We have a possibility now with a federal program of tax credits for energy efficiency. $100 for insulation, $50 VAV fan, $200 HVAC, etc. We are 1/4th of the way through the program, and I would doubt that many can explain the program. We need to get that information out to the general public. We have the opportunity to use federal dollars to make energy efficiency improvements on homes. We don't want to miss an opportunity to inform the public about credits for improvements.

Snead: The federal publicity has been almost non-existent. It's a two-year program of tax credits. By the time the IRS, DOE, etc., develop forms and everything, we're already 6 months into the deal. It is not long-term enough and there is no sustained support of the program. The best source of information is EnergyTaxIncentives.org, which is a consortium of organizations. Awareness of the program is vital.

Holmes: If there is something put together that could be used as a bill stuffer, it would be helpful if the utility companies to send that information out. Can the Commission or the Energy Office put together accurate information about how to get the tax credits.

Schreiber: We have information on our website and I've seen it on websites of other utility companies.

Holmes: We need to get this information out before we lose out on an opportunity.

Statewide Energy Efficiency Program

[handout referenced in discussion]
Topic: Statewide Energy Efficiency Program

I. Current Policy / Program Framework

E. Governmental
1. Facility Conservation Improvement Program (FCIP), based in the Kansas Energy Office at the KCC.
2. New low-interest loan program administered through KDFA.
3. Weatherization Assistance Program (WAP), federally funded program based in the Kansas Housing Resources Corporation.
4. Local codes: e.g., City of Hays (there may be others)

F. Voluntary
1. Energy Star
2. Utility-sponsored energy efficiency programs (e.g., Midwest Energy, which provides energy-related services for residential and commercial customers)
3. Private energy efficiency consultant/contractors

II. Policy Issues

G. Should Kansas develop statewide program to increase efficiency with which Kansans consume energy with the objective of reducing usage in all sectors when economically efficient? Potential menu of options listed below:

1. Statewide Energy Efficiency Program to provide conservation improvements to participants
   a. Utility-operated program (typically provide program participants free conservation improvements paid for by all customers).
      - Mandated on IOUs?
      - Mandated on Munis and Coops?
   b. Efficiency Utility such as Efficiency Vermont (funded through a surcharge on all customers' utility bills, or SBC).
   c. State-operated program (funded through general funds or SBC).

2. Pay-As-You-Save (PAYS) Energy Efficiency Program (piloted in two New Hampshire utilities in 2002). Utilities pay all initial costs associated with purchase and installation of approved measures. Then a PAYS Delivery Charge is calculated and added to the customer's monthly electric bill until all costs are paid (stays with the meter).

3. PAYS with a revolving loan fund (non-utility option). Model revolving loan program on successful Nebraska Energy Office model, increasing loan fund from the existing $2 million (from 2007 budget) to $10 million.

4. Require real-time, or time-of-use, pricing. Real-time rates give customers a price signal that encourages efficient energy use and reduces peak demand. Such time-differentiated rates give consumers the option to time their energy use based on prices they expect to pay at different times. This approach was characterized by the RMI consultants as "the single most effective thing we could do to promote energy efficiency."

H. Develop program to overcome the split incentives problem associated with making improvements to rental properties.

1. Landlord rebate program

Provide utility bill rebates to landlords who make investments to improve the energy efficiency of their rental properties. In order to qualify for such rebates, landlords would need to initiate improvements based on an audit performed by a licensed energy auditor. These improvements would then be certified to meet a minimum set of state efficiency standards. Utilities would be allowed to collect from tenants a surcharge of 50% of the expected or forecast utility bill savings for 24 months and rebate this back to the landlord as a reimbursement on some of their certified investment in energy-efficiency improvements in their rental properties. Note: this will probably work best in conjunction with a flat rate billing arrangement.

2. Low-interest loans

Make available to qualifying landlords low-interest revolving loans to finance energy conservation improvements in their rental properties.

3. Accelerated depreciation on energy conservation measures

Allow landlords to take accelerated depreciation on qualified energy-efficiency improvements to rental properties.

4. State income tax credits

Allow state income tax credits for qualifying energy efficiency improvements to residential rental properties.

5. Utility cost recovery

Improving the energy efficiency of the state's rental housing will reduce energy consumption and, given the design of most utility tariffs, will result in some loss of allowed revenue to utilities (at least until they file their next rate case). Allow utilities to recover revenues that are lost as a result of conservation investments undertaken by landlords. Additionally, allow utilities an opportunity to implement changes that would either mitigate or eliminate lost revenues due to conservation efforts of any kind. Such changes might include rate decoupling and implementation of sales "normalization riders."

6. Utility bill disclosure

Require landlords to make full disclosure of past (24 months) utility bill expenses to prospective renters, including energy efficiency improvements they've made over the same period.

III. Planning Resources

I. Bruce Snead, KSU Engineering Extension
J. KCC Energy Office staff
K. Utilities

L. KCC Utilities staff

Brosius: Currently Kansas has the FCIP based in the KEO, allowing public entities to make energy efficient improvements paid for through energy savings.

Ploger: The program is available to any public entity. We have a streamlined program that allows quick access to the programs and have approx. $120 million in projects statewide. The state already has a pre-approved contract and can use that contract to enter into direct negotiation.

Liz: KDFA also has the new low-interest loan program which is in the planning phases and the WAP is operated by KDFA as well. And the City of Hays has energy efficient inspections required to be performed by Midwest Energy. The EnergyStar program is a voluntary program that allows consumers to purchase efficient appliances. The state also has some utility-sponsored programs. Within that framework, staff poses the question of whether the state should create a statewide program to increase efficiency. Staff recommends creating some statewide program that could be implemented through utilities, an efficiency utility (efficiency Vermont), or a state-operated program.

Snead: NYSERDA is a state agency program that does this, Wisconsin does this as well, sometimes there is a blend of state/utility operations.

Brosius: If we required utilities to provide the programs, the conservation measures would be spread out amongst all customers and reflected in rates. Two questions needed to be considered would be whether to only target IOUs or non-regulated utilities, which would require legislation. Another way is to use the Pay-As-You-Save (PAYS) program where utilities pay all initial costs and recoup their cost through payment on utility bills.

Snead: The $2 million in Kansas' loan fund is a good start, but needs to be sustained to be successful.

Brosius: Implementing time-of-use pricing is also an option. Staff included this approach because it is an effective way to change behaviors which would have a significant impact on utility demand.

Frahm: Midwest Energy has an interruptible service contract that allows you to be shut off at certain times of the day.

Schreiber: Gulf Power provides a thermostat that receives a signal that lets the homeowner know that the cost of electricity is going to increase as a result of high demand on the utility.

Brosius: Real-time pricing has been touted as one of the most effective ways to achieve energy efficiency goals.

Snead: The goal of the report [Energy Efficiency and Conservation in the Public, Residential, Commercial, and Industrial Sectors] was to summarize the best practices of current programs and approaches throughout the country. The back of the book has policy options for the council to consider. Options that have devolved over the last 2 years, the WGA policy options, and the KCPL policy options accepted by the KCC with regulatory implementation to be decided by the KCC at a later date.

Sloan: We are talking about studying these suggestions.

Sloan moves to approve the study to approve Issue II.A.2-4 and II.B.1-5; II.B.6 is included in previous studies and A1 includes SBC and should not be considered. Utility funded programs should include a return on the investment. Lee seconds.

The record will show that Moline did not weigh in on the discussion.

Sarah Dean: I am interested in II.A.1.b. (the Efficiency Vermont model) because it aligns motivations from parties where we can actually do something. It is motivated from a business model and it may be funded through a surcharge on utility bills.

Snead: The PBC in Vermont is the funding mechanism.

Dean: Do they get paid by the people conducting the services?

Snead: There can be contribution from the individual served, but there is funding from the PBC administered by the Regulatory body.

Dean: Is there a reason the program could not be more heavily funded by the services provided rather than through PBC?

Snead: It can happen. In New England the cost of an audit can be rolled into the loan. A program can be constructed that way.

Dean: I would like to see II.A.1.b. left in the study. I believe that particular program need not depend on utilities being so heavily involved in administering the programs and the motivations may be clearer if the utility is separated from doing this.

Springe: If we leave in II.A.1.b., then we will have to discuss all of the sub-points which would necessarily include the use of PBC as a funding mechanism.

Dean: Can we just look at the Efficiency Utility and not worry about the PBC? It may be a hybrid type program rather than Efficiency Vermont?

Springe: That starts with the presumption that the program should be done and that the company should be paid for services.

Dean: We are trying to decide what we want to promote. I am intrigued with the notion of having a business do this rather than having a utility do the program.

Volker: IF the customer is paying for the energy services, then we are already there. There is already an ESCO industry in Kansas and it is being utilized. We cannot just consider II.A.1.b. because we must consider II.A.1.a. and c.

Dean: I like the Vermont Efficiency model and don't want to take it off of the table.

Snead: The three options under II.A.1. are the options for administering a statewide energy efficiency program. The payment is not required to be a PBC. Other sources can be leveraged to pay for that. I would appose Sloan's motion because it presumes the PBC being used. There are other options to fund these things. Efficiency Vermont is a potential model as it provides a statewide service rather than a utility program that leaves some areas left out of the market. Utilities as a whole have not shown an interest in energy efficiency as a resource. Efficiency Vermont model seems to be a very viable option for Kansas.

Springe: From the consumer side of this, I have several concerns. In II.A. "economically efficient" is a different concept for different people. This is the starting point for a big argument. We can use several different types of methodologies that would have vastly different results as defining "economically efficient" programs. When we get into some of these from a regulatory standpoint I am concerned with the "study" of the PAYS program. It isn't a difficult program, and we probably don't need to study the program and I am confused as to what the objectives of the program are. PAYS will help consumers make good choices for themselves. The PAYS program is more consumer-linked. In II.A.4, real-time pricing, we have heard it described. The program will only apply to residential consumers and not the manufacturing sector. It is difficult to regulate and brings up serious questions. II.B.5 – utility cost recovery – I'm paid to argue these things. These are not easy questions and I am leery of generically allowing the study of these programs – what are we really doing here?

Harkins: Staff has no preconceived notions of what a statewide energy efficiency plan would contain. This is a potential menu of options pulled from previous studies. Staff wants to sit down and see if it is feasible to design an effective energy efficiency program on a statewide basis. We have tax-credits that the consumers and retailers aren't completely aware of.

Moline: If we have a program whereby 30 percent of the customers reduce their usage through conservation, then the usage has dropped down and the revenues have dropped down. But the revenue required by the utility stays the same. Because the utility must be prepared for that person to stop conserving. People who didn't take advantage of the programs have an increase in the bills. The low-income segment are the ones that will be required to make up the difference to retain the revenue requirements of the utility. Conservation reduces revenues and those revenues still have to be made or the company is not recovering the revenue requirements determined through the process. The

remaining bills go up for those not able to reduce their usage. Consequently the whole concept of programs to pay for those that are not able to conserve on their own, in the end, is that someone will pay more and somebody will pay less. That's what we do all the time in rate-making. The problem is that it is complicated if you have a program that allows some residential customers to lower their bills and other residential customers cannot and their bills go up, that presents a problem.

Snead: I appreciate those points. The Regulatory Assistance Project (RAP) pointed out lessons learned from energy efficiency programs in other states. (Snead read pg. 23 from the Efficiency and Conservation report).

Harkins: I understand that there are states that have successful programs. The intent of the motion is to not look at these programs at all because they are contentious. If we know there are other states that have done this successfully and we can learn from them how to do it, why would we be reluctant to see if we can design something that can work for Kansas? What would be the downside of trying to put a potential program together and evaluate it? I don't understand why we would be concerned.

Springe: In the real world, the ratemaking process is contentious. We need to guarantee the utilities make a profit regardless of what the consumers do. IF we give that guarantee, what will it cost consumers to provide this guarantee?

Harkins: The list doesn't do anything but give us a starting place. We know 22 states have an RPS, but so what? They are all different. Some work; some don't. To make a decision, we have to determine what the design parameters are so we can truly evaluate the concept. The same is with the energy efficiency program. To dismiss sectors before we determine what we are talking about seems to make no sense. We should be talking about a specific model, and whether they will or will not work. We are too early in the process to make a final decision whether we make a decision or not.

Steve Weatherford: In this discussion to include it seems we are trying to make a policy decision. I don't have enough information based on this outline to engage on this outline to decide whether or not it should be included or not. If we are just deciding what we should continue to look at, I approve looking at it.

Sloan: Steve you are quasi-right. I am making a policy recommendation in the context that there are a finite of resources available. Based on my understanding of the legislature, II.A.1 will not pass under any variants, and I don't want to waste the finite resources studying something that is not feasible to pass. With that, I would remind the group that if my motion passes, subsequent motions may add or remove additional items. I call the question.

Richard Anderson: Regarding Item II.A.4 - Cost associated with the real-time measuring is not going to happen.

Frahm: That will show up in the study if that is true.

Volker: That doesn't mean we shouldn't study it. It is a non-issue. That is not what number 4 says, it says they will offer real-time pricing, not that all customers have to be on it. The metering cost – time of day metering – is cheap.

Anderson: That is not our experience.

Volker: This does not say we have to provide tracking.

Anderson: What is real-time?

Volker: Real time or time-of-use pricing. Time of use pricing can include time of day pricing.

Anderson: I assume real-time data you can look and determine how much electricity is being consumed at any particular time of day.

Volker: It doesn't say that. This is about the idea of studying it. As utilities, if you are ignoring that, you are crazy.

Frahm: The question has been called.

Motion passed with 10 opposed; 16 in favor; Moline abstains.

Weatherford moves to involve II.A.1.a-c.

Seconded by Joe Dick.

Svaty: I thought the KEC should be exhaustive in what it studies. We should look at everything to include. I would like to see a report that says "this will not work" and "this can work." I would remark that I am being hypocritical to not include II.B.6. These are big issues and something that needs to be discussed.

Holmes: If you want to study it that's fine. Education will win over Energy Efficiency every day. Political reality is that it won't happen.

Taddiken: These three options seem to be funded by everyone; we are here to encourage people to do things to save energy. If everyone is going to pay, why would they step forward before it is their turn to be paid? This is a disincentive to be first. If there is an incentive program to do it, people wait until it is there turn to do it, fine. This may provide a disincentive.

Vote: 12 in favor; 12 oppose. Motion failed.

Snead: Funding mechanisms are identified on p. 31-32 of Energy Efficiency and Conservation report. There is information on funding mechanisms that can be utilized other than PBCs that are worth reviewing.

Brosius: As the person who framed this, I wanted to include some information on the usual funding sources because I think that is one of the things that distinguishes these. Bruce, would you like to say more about the funding alternatives?

Snead: The study can help to identify. In looking at II.A.2-4., we will have to discuss the same situations as II.A.1. The administrative structure will have to be discussed anyway. Someone has to administer the programs. We will run up against all of these issues in all of the other programs as well.

Schreiber: I may be looking at this differently. The question should be what is in II.A. We may want to just study the question, and the other issues may or may not come up. We may be concentrating too much on programs that have been implemented elsewhere rather than the ultimate question. To me these are examples of what has been done, not needed to be included/excluded.

Emler: I didn't vote on the first because we are here to look at all the alternatives. My committee meetings go on ad nauseum. This group of people that have some knowledge should include this. I vote to include because I believe that the issue is II.A – should we have a statewide program? If we go on record to eliminate studying, then we have no way to document that we do not approve of this specific behavior. I think we should include everything.

Svaty: Including it adds legitimacy to the KEC, if this council has looked at efficiency types and determines that nothing has worked. If the council eliminates factors, there is no legitimacy in the study.

Springe: We're taking two days to decide to go study everything under the sun. How many days will it take us to sort out the studies, debate it, get into the minutiae, etc.? The reality is that at some point we will have to make decisions on these issues in a timely manner. It may be best to focus our studies rather than having such long debates sorting out studies. I favor focusing the efforts and try to accomplish something.

Harkins: We made a serious drafting error by putting in details. We aren't going to study every one in detail and propose all to the council. Our job is to look at this policy issue – should the state develop a program – and if it should, what should it consist of. We will recommend to the council. We won't bring the council a 50-100 page document and ask you to analyze the entirety of the studies done. A statewide energy program could come to you in the form of consumer education. We haven't done the plan, we haven't done the studies, we are asking for the opportunity to move forward to look at a reasonable plan. The time to throw it out is two months from now, not right now.

Springe: What are your objective criteria for choosing what is reasonable?

Harkins: We haven't the notion just yet.

Springe: The current study has many plans and programs. What criteria is going to be used to be included.

Harkins: I don't know what we are going to consider. The policy issue is whether the state should have a efficiency program or not.

Holmes: We've had a lot of debate on what should and shouldn't be studied. I hope staff will take that into consideration.

Holmes moves to have the KEC determine whether the state should develop a statewide program to increase efficiency with which Kansans consume energy with the objective of reducing usage in all sectors when economically efficient.

Seconded by Emler.

Sloan: That is a one word answer.

Snead: The answer is yes. The question is what makes sense for Kansas. In light of other state's experience, how do we integrate that within the Kansas structure. What are the models for implementing these programs. We need key participants in formulating that policy.

Springe: There is a difference in looking at California's programs and looking at benefits. Should we change the regulatory structure, etc., etc., etc. We need to look at specific policy issues.

Holmes modifies motion. Should Kansas develop and if so what should the program include. Seconded by Emler. Passed with no opposition.

Brosius: The KCC is sponsoring a workshop on EE programs and they have invited the Council. I will distribute the letters here. The meeting is Aug. 9th and will be held at the Kansas History Museum.

Frahm: The Exec. Summary for the RPS study by the KCC was distributed at lunch.

June 29, 2006, 10:00 a.m. to 12:15 p.m.

KEC Members Attending

Ken Frahm, Chair	Greg Krissek	Mark Schreiber
Richard Anderson	Janis Lee	Tom Sloan
Roderick Bremby	Stuart Lowry	Bruce Snead
David Dayvault	Galen B. Menard	Dave Springe
Sarah Dean	Gene Merry	Josh Svaty
Joe Dick	*Jesse Romo*	Mark Taddiken
Steve Dillard	*[for Deb Miller]*	Michael Volker
Carl Holmes	Brian Moline	Steve Weatherford
Jeff Kennedy	Adrian Polansky	Curt Wright

The meeting was called to order at 10:00 a.m.

Introductory comments
Chair Frahm announced that we would reverse the agenda and deal with the Agricultural topics first.

2006 Priority Topics: Energy Use in the Agricultural Sector
Biofuels

Topic: Biofuels

I. Current Policy Framework

A review of the existing policy framework for biodiesel production in Kansas, done by KEC staff, produced no issues that needed attention. The report by Kansas State University on Energy Use in the Agricultural Sector also addressed biodiesel and made no recommendations for additional policy.

Recently, as a new biodiesel plant prepared to come on-line in Kansas, several problems were encountered when the Department of Revenue tried to apply the existing motor fuels tax laws to the production facility. The current laws were originally crafted in the 1930s and did not anticipate biodiesel production.

Examples of problems include:

A. Mixing: Current law requires anyone mixing fuel to be licensed and bonded. This has been interpreted to be each farmer who buys B100 and blends it with petro-diesel. The transition to biodiesel sometimes requires an incremental increase of the percentage of biodiesel.
B. Dying: Federal law prohibits dying at the new plant. State law could possibly be interpreted so that customers would not have to licensed and bonded if the B100 was dyed. A true “Catch 22.”
C. Biodiesel is not a “motor fuel” if used exclusively in on-farm equipment according to one legal interpretation.
D. B100 is not diesel; it is vegetable oil.

This situation is being managed as well as possible on a temporary basis by the Department of Revenue. However, the Department thinks Kansas needs new statutes that deal directly with biodiesel production and sales.

II. Policy Issue

A. Kansas needs new statutes for consideration by the Legislature in 2007.

III. Planning Resources

A. Revisor of Statutes office
B. Department of Revenue
C. Industry Representatives
D. KSU (Richard Nelson)

Harkins: There is much policy in place currently to support the use of biofuels in the State of Kansas. The legislature adopted a new incentive for biodiesel in the latest session. Several weeks ago, staff was made aware of an issue of a biodiesel plant built in Kansas. The Dept. of Revenue looked at the issue to try and apply the state motor fuel tax to biodiesel. There are laws in place that control the practice of blending fuels. The Dept. of Revenue determined that if farmers are blending biodiesel into their diesel mix, they are required to have a license to be a fuel blender. This is not in the original intent of the law, and we cannot expect every farmer to receive a license to be a fuel-blender. Other laws deal with dying diesel fuel used for off-road use. The interpretation of the current law determined that owner/operators may not be able to dye fuel on-site as per federal law. B100 is not diesel; it is vegetable oil and cannot be considered a motor fuel if used exclusively in on-farm equipment according to one legal interpretation. Staff recommends, after consultation with the Dept. of Revenue, that the council must work with the biodiesel industry to frame a new bill that will deal effectively to facilitate the addition of biodiesel into the state of Kansas.

Wright: One of the situations is that the Dept. of Revenue requires payment of fuel tax on the blended biodiesel because it is used for on-road use. Trucking companies are using the product, and because it is blended with a clear fuel, I am required to pay federal and state tax on it. We would open up a can of worms if we allow a farmer to introduce clear non-dyed fuel into the market. If a farmer-based biodiesel plant receives an exemption, it could cause troubles.

Harkins: we don't know how it would actually read at the moment, but we will work with the industry to make a logical policy.

Taddiken: We looked at this last session to see if we could deal with it. I have requested a legislative interim study on this issue on the first point, and the others fall into that category.

Lee: This information introduced by this group would be very helpful to work hand in hand with legislative work. The amount of biodiesel that is mixed in, do you pay the motor fuel tax on that?

Wright: It is a blended product, anything blending with a fuel. If it is a product used in motor fuel transport, the State has the right to use that.

Lee: If semi's could use B100 would they have to pay taxes?

Wright: The Dept. of Revenue has determined that biodiesel is a motor fuel.

Krissek: The National Biodiesel board has worked hard to have it classified as a fuel. Once it goes through a federal verification process, it will be considered a fuel and not vegetable oil. All ethanol plants have to register with the same type of fuel structure as a blended fuel operator. That is a relatively new requirement within the last 18 months. It wouldn't surprise me if biodiesel was included in that.

Galen Menard: If the diesel is dyed, we don't charge tax; if it is clear when it leaves, it is taxed at the federal and state tax rate. That is what we've been told by the IRS and the State of Kansas. We have a B2 that is blended at our two locations, at some time before the end of the calendar year we will go to a B5. Because of the events in the State of Minnesota where they just had truckers that were fed up with troubles due to cold temperatures on biodiesel, many of the marketers only guarantee up to B5 until the cold-weather situation is figured out.

Taddiken: It is something we need to take a look at. Who actually is a blender and who has to have a license is something we need to figure out. I don't know that the local Co-ops are licensed as blenders. This is something we need to look at.

Taddiken moves to study the issue on the table. Second from Secretary Polansky.

Lee: I assume that the motion will anticipate that if there is an interim legislative study, the council will work closely with the legislative study.

Frahm: Absolutely.

The motion passed with no opposition.

2006 Priority Topics: Energy use in the Agricultural Sector
New Policies and Programs

[handout referenced in discussion]
Topic: New Policies and Programs

I. Current Policy Framework

The report prepared by Kansas State University on this topic focused on the potential savings of diesel fuel by converting from conventional tillage to no-till. The report provided the following scenario:

- Assume 30 million acres of crop land in Kansas;
- Estimate 7 million acres are presently under no-till;

- Assume a savings of 2 gallons of diesel fuel or $4.00 for each acre converted to no-till;
- If all 23 million tilled acres are converted, there would be a savings of 46 million gallons annually, which is valued at $92 million.

The Kansas Water Office recently released a working draft entitled "Water Quality Policy and Institutional Framework" that is an excellent compendium of categorical federal and state programs with a range of purposes related to conserving soil, protecting water quality, flood management, and other benefits. Many of these programs encourage farming practices that result in energy savings and carbon sequestration, but these benefits are rarely mentioned in the program literature. A good example is the federal Conservation Reserve Program (CRP) that provides rental payments to producers to safeguard fragile soils by planting vegetation to (1) control soil erosion, (2) improve water quality, and (3) enhance wildlife habitat. While the three stated goals are being met, carbon sequestration is being achieved and energy is being conserved.

In 2004 the State initiated a watershed-based management strategy (see attached document) to develop an organized approach to conservation planning and management that provides a mechanism to organize, promote, and implement conservation programs on the basis of watershed plans.

II. Policy Issue

Kansas should not develop yet another categorical program. The WRAPS program provides an existing mechanism to promote no-till farming practices. The scope of the WRAPS program needs to be expanded in the following ways:

1. The additional benefits of carbon sequestration and energy conservation need to be emphasized in desired WRAPS goals;
2. Linkages between WRAPS projects and energy carbon trading programs need to be established to create a financial incentive for converting to no-till;
3. Information needs to be provided to producer through the WRAPS program demonstrating energy and cost savings associated with no-till agriculture;
4. Land scheduled to come out of the CRP program should be targeted by WRAPS projects as opportunities for no-till.

III. Planning Resources

The current WRAPS management structure, including the Natural Resources Sub-Cabinet and the WRAPS Work Group made up of federal and state officials.

Sloan: The legislature has dealt with the WRAPS program and spent a great deal of time to focus attention on high-priority areas. While I have no conceptual problem trying to tie an energy component into that, it should be in the context of the water program, not a statewide no-till program.

Harkins: K-State did a thorough evaluation of energy issues in the Ag Sector. The one single issue identified that would be most effective on energy consumption in agriculture, is the encouragement of increasing the number of acreage under no-till practice in Kansas. A substantial percentage of acreage in Kansas is tilled – the more converted to no-till, the more energy that is saved. Approximately 2 gallons of diesel fuel are saved

for each acre of no-till land. Staff worked with other channels to look at carbon sequestration and the national and international market on carbon credits. There is now a carbon credit market in Kansas; it is small but there have been farmers who have signed up in a carbon credit program at the Chicago Climate Exhange. Farmers are paid for the value of sequestering carbon in their fields by converting to no-till farming. This creates an additional revenue stream for the farmer and contributes to incrementally decreasing greenhouse gasses in the air.

After staff discussions with K-State, we were considering a categorical program to encourage farmers to adopt no-till practices. In 2004, the sub-cabinet of Natural Resources developed WRAPS, which is designed to develop planning and management process involving local producers and then trying to connect various federal and state programs available to deal with issues in a small watershed. Everything in the WRAPS program has been focused on water quality in the watershed. Every program in place to protect water quality results in fuel savings and carbon sequestration. You can't find references to those benefits in the literature. There are about 100 watersheds in Kansas that are in the WRAPS project. About half of them are at various stages of implementation – from early planning to full implementation at the local level. Staff believed that rather than starting another program, it would make more sense to work within the existing program and discuss the possibility of expanding the scope – the rhetoric – of the existing programs to include energy conservation benefits and carbon sequestration, both of which represent revenue enhancements for the producer. WRAPS had a meeting Monday, and staff discussed this idea with the group. The group was happy to have the new ideas and input. If the Energy Council recommends the expanded scope of the WRAPS program, the members indicated they would be happy to expand the scope of WRAPS. Staff recommendation is to use the existing program and not invent a new program. We will need help in marketing the opportunities. Approximately 3 million acres are in the CRP, and much of this land will not be accepted for renewal in the program. There will be substantial number of acres of land that will begin being farmed again and presents the opportunity to discuss with farmers the option of no-till farming.

Dean: What is Kansas anticipating with bringing acres out of CRP and new acreage in CRP?

Polansky: I would find it difficult to make any kind of precise percentages. I do agree with the recommendation, and there will be significant acres that will return to crop production or livestock grazing. There will be some land that will be enrolled in the program, but I don't have a good feel for the precise numbers of acres but it will be significant.

Dean: Will the acres coming out come out because they no longer qualify for the program?

Frahm: Both. Some will be offered a renewal but don't have to take it. Some will choose to come out and won't be offered a renewal because they no longer qualify.

Polansky: There are other things going on where the cost value per acre is significantly lower than cropland for pasture land. I am seeing land being converted to cropland production. No-till operating would be of more benefit. I will be making a presentation tomorrow in terms of investing in agriculture and a working lands program that might enhance this on a watershed basis. I think this concept fits into what will evolve federally as well, and we will likely see opportunities to do the right thing for water, soil, and energy conservation.

Frahm: In some of the land that finishes its original CRP contract, the owner will elect to leave. There is a little bit of rhetoric over the last 3 or 4 months about the concept of moving to ethanol that we will need more acres of corn. The biggest supply of acres that are usable are in the CRP program. There may be a push for letting land out of CRP to use for corn production for ethanol.

Holmes: Much of the acreage in CRP is in Western Kansas, where there's not enough moisture for corn..

Taddiken: It is hard to give a precise percentage. We are also seeing some cropland going to grass as there may be more money in moving to pastureland. This is a good idea to add energy conservation into the WRAPS program.

Frahm: If the corn price is pushed up as a result of ethanol, we may see an increase in the grazing land.

Dean: I really like this concept of integrating this program and continuing with the programs going on now. Is there any way to get regular reports back from WRAPS to the KEC? IF we are not going to give them specific input as to what we see as energy potential, can we get reports on where they are focusing on energy so we can have some dialogue?

Harkins: There are two-tiers of the management system at the state level. The real work is being done by WRAPS management group. They meet regularly and put what they do in writing. They appointed a committee to work on the energy concept. They are standing ready to work on this and we will keep it in the planning process at the KEC and we will see the material as it evolves.

Taddiken moves that KEC work with WRAPS to develop expanded energy benefits language in the current program; Polansky seconded. Motion passed with no opposition.

2006 Priority Topics: Energy Use in the Transportation Sector Consumer Choices

[handout referenced in discussion]
Topic: Consumer Choices

IV. Current Policy Framework

In general, fuel efficiency declines as vehicles are driven at higher speeds (with 60 mph being the average optimal speed for fuel efficiency on the highway). The State and local jurisdictions have elaborate systems of laws and enforcement regarding speed limits, yet vehicles exceeding speed limits are the rule, rather than the exception on many Kansas highways.

Over-the-road trucks are often left idling. Some states have anti-idling laws and some provide electrified parking stalls to reduce the number of idling hours.

V. Policy Issues

A. Should the law be changed that provides a 10 mile an hour "buffer" between a speeding "ticket" and a "moving violation" that goes on the driver's record?

B. Should the State develop enhanced enforcement tools such as automated cameras?

C. Should the State Driver's Examination booklet and test include information on vehicle efficiency such as tire pressure and speed?

D. Should the State adopt anti-idling laws?

E. Should the State install or encourage the installation of electrified truck parking facilities?

VI. Planning Resources

A. Kansas Department of Transportation
B. Kansas Department of Revenue
C. KU Transportation Center

Harkins: These are issues that came out of the KU Transportation Center study done for the KEC. The motor vehicle is the major source of energy use. Inefficient use of motor vehicles create a significant demand on a stressed supply of energy. Staff has compiled issues that may be included in an initiative. Allowing a 10 mph buffer before a moving violation is given encourages speeding. Based on the information KU is able to find, automated cameras are an effective tool. Inclusion of the Driver Examination booklet and Exam would make energy-efficiency an issue in every Driver's Education course in Kansas. We have discussed simulation software that could be placed in the booklet that would demonstrate energy efficiency and safety factors associated with speed. Some states have adopted anti-idling laws that deal primarily with over-the-road trucks. In order to counterbalance that, some states have encouraged installation of electrified parking stalls at truck stops to make it easier for truckers to stay comfortable. These are

things that haven't been thoroughly evaluated, and staff would have to talk to the industry about these things. The planning resource list is incomplete and there are others that need to be at the table to discuss these things. I don't believe we would get all of these items done, but the drivers license exam book and testing education process to encourage awareness of efficiency would be a doable project. The Dept. of Revenue would be cooperative.

Frahm: Over the course of the summer coming to committee meetings, I have discovered a significant difference in fuel mileage if I drive the speed limit. Behavior modification occurs after educational component. The difference is quite striking.

Lee: It's not a good lesson to young drivers to allow people to get out of a moving violation. The latest legislation in the legislature would have increased the speed limit to 80.

Moline: There was a piece on the news that indicated that in the 6 months that the gasoline prices were the highest, SUV sales went up. The only real way to control behavior is through economics. What about a tax incentive for people who buy fuel efficient vehicles? It seems that if we want people to drive less or be more fuel efficient, the natural tendency is that people don't care. Instead of punishing people through a gas tax, financial incentives would make more sense.

Svaty: I was curious as to why that didn't make the list. People want to buy fuel-efficient cars, and there is legislation discussed now. Kansas doesn't have the same options. LA offers free parking for people with hybrid vehicles. There will be legislation coming this next year to talk about how to give incentives. I think our best option is to provide incentives.

Harkins: I have no problem adding the concept of incentives for fuel efficient vehicles. We ought to treat speeding the same way we treat smoking. It is a behavior detrimental to the individual and society. When someone passes me going 85 mph, they are risking my life. That's the same as someone smoking next to me at the restaurant. Our society realized it made common sense to reduce the use of cigarettes. We need to set a goal of driving sensibly and conserving fuel. It worked for smoking and it could work for this as well.

Holmes: I would like to see a sales-tax reduction for fuel efficient vehicles. Turnpike authority could put in an HOV between Lecompton and Topeka and that may encourage more carpooling. In Massachusetts, there was a Patrol Car in the work zone to write speed tickets. Enforcement is key to make sure people will slow down.

Harkins: The superintendent of the Highway Patrol indicated that the percentage of tickets to warnings has reversed in recent years. Before, 2 out of every 3 stops resulted in a warning. Today, 2 out of 3 results in a ticket.

Bremby: In addition to anti-idling laws, would we work on railroads as well? Anti-idling is possible way to reduce the amount of energy consumed. Trip generation education could be used to reduce the number of trips taken daily.

Sloan: Several conversations with the railroad industry about the railroad using biodiesel for local switchyard engines could be something to add onto one of the other topics. If they are just sitting and only move once a day, they could be using biodiesel.

Svaty: I don't think that anti-idling is pie-in-the-sky. Several ports are requiring plugged into electricity to reduce emissions. Does the legislature have the authority to give a free pass on the turnpike for fuel efficient vehicles?

Moline: I suspect not because of the bond issues.

Springe: I am disappointed in the scope. We paid for a transportation sector report. For years we've talked about this. This is not very forward looking. I thought some of the goal for transportation was to make bigger plans. At some point, big vehicles have to get smaller. At what point do we start talking about transportation systems and rail systems and overhauls and changes that have to be made long-term? These policies seem beneath the goal of what we want to accomplish over time.

Frahm: The council wants to direct staff to take bigger issues, it can.

Lee: There is a reason why trucks idle, and if we are opposed to idling, we are opposed to heating and air-conditioning the home. We must have a reasonable alternative to idling or truckers are going to suffer.

Frahm: Electrified parking facilities could remedy this. Is it universal that truckers idle all night?

Wright: It depends on whether they need the comfort of heat or air-conditioning.

Harkins: I don't know that there is any place where the market forces impact more directly on anyone other than the trucking industry. I like the idea of working with the industry to transfer to electrified parking.

Bremby: How many states have converted fleets to hybrid vehicles?

Harkins: We will discuss that in the next section.

Dean suggests Council discuss the next session before they make a motion on this section to ensure it is all-inclusive, and Council agrees.

Reducing Miles Traveled

[handout referenced in discussion]
Topic: Reducing Vehicle Miles Traveled

Background: The report prepared by the University of Kansas Transportation Center on this topic noted that vehicle miles traveled (VMT) in the U.S. has more than doubled since 1970 and consistently exceeds the growth of population. In Kansas, the growth in VMT between 1997 and 2004 was 10 percent (compared to 14 percent nationally).

Between 1982 and 1996, Kansas City had a population increase of 23%, while VMT increased by 79%.

I. Current Policy Framework

A. Five organizations in Kansas offer public mass transit in urbanized areas: The Jo in Johnson County, The Lawrence Transit System, the Topeka Metropolitan Transit Authority, the Wichita Transit, and the Reno County Area Transit. The Kansas City Area Transportation Authority also operates routes on both sides of the KS/MO border in Kansas City.
B. Bus Rapid Transit (BRT) was incorporated in July 2005 into the Kansas City Area Transportation Authority.
C. The State operates a vanpool program that transports about 250 people daily. One trip runs from Clay Center to Manhattan. All other trips have Topeka as their destination and originate in Emporia (1 van), Holton (3), Kansas City (3), Lawrence (8), Lyndon (1), Manhattan (1), Overbrook (1), St. Mary's (1), and Wamego (1).
D. Kansas City Area Transportation Authority has 37 park and ride locations along various bus routes in Kansas City; some parking lots along I-70 Turnpike are present, but no formal program exists for promotion of park and ride facilities.
E. Amtrak is the only passenger rail in Kansas: the Southwest Chief runs between Los Angeles and Chicago.
F. Rural public transportation services operate in most counties in the state, many of them by private non-profit agencies under contract to the Kansas Department of Transportation.
G. Bicycle and pedestrian programs exist in some parts of the state.

II. Policy Issues

A. Encourage development of private vanpools and enhance existing State vanpool program (in combination with Park and Ride facility development).

The public benefit to increased use of vanpools are:

- reduced commuter congestion (each van removes up to 14 cars from peak travel),
- reduced fuel consumption (and the related reduction in emissions), reduced costs associated with building parking facilities,
- and additional transportation options for those who may otherwise be unable to commute to a job.

B. Educate urban planners on opportunities to reduce vehicle miles traveled in their communities.

Community planning—that is, building more densely in and around retail establishments in well-designed communities—is one of the more effective tools to reduce VMT. Opportunities for expanded mass transit should also be evaluated.

III. Planning Resources

A. KU Transportation Center
B. Kansas Department of Transportation

Brosius: One way to reduce consumption is to reduce the number of vehicle miles traveled. The trend has been an increase in miles traveled. The KU Study covered many issues including railroad issues and more details on idling. Kansas City is working hard to reduce miles traveled to stay in compliance with emissions standards. The state does offer a vanpool program and Kansas City has 13 Park & Ride locations. There is almost no passenger rail offered in Kansas but Amtrak does offer one line. There is a rural public transportation service that operates in most counties that can range from a vanpool to more robust programs. There are a few cities and counties that have bicycle and pedestrian programs to encourage non-vehicle travel. Staff believes we can encourage the enhancement of private vanpools and expanding the State vanpool project. We need to educate urban planners on reduction of vehicle miles traveled. Staff had the idea to do a statewide conference.

Harkins: The Department of Administration is in the process of developing an energy savings program for the fleet to buy and rent more efficient vehicles for the state. There is some education involved, but the State is headed in the right direction with this.

Brosius: In addition to the two planning resources, we believe we need to involve the League of Kansas Municipalities and some other people as well.

Holmes: Did the study do any comparison between rural and metropolitan issues? For example, in rural KS sometimes have to drive 50 miles round-trip to get groceries. If we eliminate schools, parents will have to drive further and school buses will have to travel further as well.

Lee: If I want to buy clothing, I have to drive a minimum of 180 miles to shop in Kansas vs. Nebraska. 15 years ago there were clothing stores in smaller towns, but now they are concentrated in more populated areas. It is 25 miles one-way to the doctor or dentist, but you may have to go further to see a specialist. There is no public transportation. Senior Citizen vans may take people places, but it is not widely used. There is no public bus transportation. Greyhound schedules came through at inconvenient times and drop the lines due to no usage.

Susan Duffy: I believe you are touching on what was discussed. There is a van for Seniors, and that could be expanded for the community to establish trips for the community with schedules, etc.

Lee: The mindset will have to be changed.

Holmes: Some stipulations can exist to make vans be used only for sr. citizens.

Duffy: In other communities people have leased out vans for special activities.

Holmes: Most of these run on federal dollars not state dollars.

Lee: There is the potential of looking at other ways. A lot of it is a different lifestyle in rural communities.

Svaty: Salina OCCK provides public transportation for Seniors and Disability but it is wide open. It is through KDOT and they are functioning as a use for mass transit.

Taddiken: It is very important to rural Kansans to look at the state in energy usage. Rural Kansans are likely a smaller factor in this, and the large savings may be in large areas. How are Park & Rides coordinated? Are there web-based capabilities?

Harkins: In Lawrence there are a lot of commuters to KC and Topeka. The KTA has created parking areas and people organize their own carpool. Park & Ride means a place to leave your car.

Taddiken: How do we coordinate? Can we use the web to explore this?

Ploger: KEO supported the rideshare in KC and Wichita. There is a web-based program to sign up to say where you work and live and it will match you up with others in the area.

Holmes: I've noticed in other states there will be a road sign to indicate a telephone number for people. Are these numbers publicized?

Brosius: In Lawrence they developed a rideshare concept on the web that is being advertised on the radio.

Holmes: Road signs in other states tell people how to make contact through a telephone number or website.

Ploger: In KC they have signs that show this. 842-RIDE.

Svaty: Union Pacific will not service certain areas. Is it a possibility that we can look at the energy cost or savings by increasing rail use?

Harkins: Our consultants considered that issue in the report.

Moline: Almost all railroads are interstate and the feds have taken away most of the regulation states have. There is some activity in Congress to try and bring the railroads under more control. There may be an ideological barrier.

Harkins: Staff will not push back on the issue of shortline or commuter trains in metro areas. It is a complicated topic, and staff would have to work with the organizations that have the capacity to do that kind of planning. This has been an issue debated in KC for 25 years and not much process has been made. If the council wants staff to discuss this, staff will gladly do that. Staff chose not to address the issue this year.

Taddiken: I looked into the rail issue last year with ethanol and biodiesel plants. We quickly ended up at the federal level and the railroads seemed to not care about federal regulations.

Frahm: Let's deal with reducing miles traveled and consumer choices and then deal with other issues to instruct staff to include in the report for the next KEC planning cycle.

Lee moved to approve the topics for study in reducing vehicle miles traveled. Schreiber seconded. Passed with no opposition.

Kennedy: Does the consumer choices plan include tax incentives?

Brosius: The study by KU included different methods on how to create incentives for the purchase of fuel-efficient vehicles. We can add that to the list.

Frahm: The council seems generally supportive of that.

Dean: Would we include that as F under Policy Issues?

Brosius: Yes.

Schreiber moves to accept consumer choices. Merry seconds. Passed with no opposition.

Harkins: The next step for the KEC is for staff to begin working on these issues. Staff will have work sessions early in July to develop a plan on how to get these things done. Staff will announce to all members of KEC when those work sessions are scheduled. And invite anyone interested to come. There are many members who have special levels of competence in these areas and staff would be very grateful for participation in these issues. This is a process we have not done before. Every work session has been an open session and members have been encouraged to participate and they are more productive when members are present.

The term "study has worked its way into these discussions often. I want to clarify that in this stage of the planning process, staff will be converting these ideas into draft plans. KEC will see a draft plan from staff that says if we recommend something to the legislature, this will be how it looks. These drafts will include details for legislature to understand costs and impacts.

Dean: I voted on these two proposals because we were going to bring up other subjects.

Frahm: Please bring up other subjects.

Dean: I think we have covered some short-term issues with transportation. I would like to have some discussion about long-term issues in the State of Kansas.

Springe: I believe we need to look at petroleum and transportation products. If we knew in 5 years that gas was going to cost $8/gallon, what would we be doing differently today to get ready. I don't know the answer, but we have a long tradition in this country of reacting to crises instead of planning for long-term possibilities. The transportation report does some of this.

Wright: The difficulty lies in the fact that the research isn't being done to figure out what the next fuel is going to be. Until the fuel is unaffordable, the research isn't going to be done to determine the "next fuel." Oil is relatively cheap, ethanol is relatively cheap, and the research won't be there until the technology is necessary.

Sloan: I've had pretty unsatisfactory conversations with the Board of Regents about how we would encourage our faculty in engineering schools to look at things down the line. The U.S. Army is investing money in research for engines and fuels, GM spoke to the legislature about engine and fuel options. None of that money is coming to Kansas. We aren't looking at small engines that we all run. KEC might look at trying to provide a list of topics that regents institutions might look at in terms of state interest.

Dean: If we do continue some long-term initiatives, I'd like to see planning coupled with regents institutions coupled with Wind and Hydrogen. I believe there are opportunities there. The National Association of Electrical Engineers is going this direction. It would be in our interest to begin working on these kinds of issues. I believe this is where we can address how you drive 180 miles more efficiently. This group will be the group to look at longer-term than we are currently looking at.

Frahm: If we want to increase the scope of what we are looking at now. We can give specific instruction to staff to include these ideas. OR we can develop these for next years planning process.

Moline: How global do we want to get? It is unlikely that the state can really act to solve these problems. We initially decided we were going to try and focus on what initiatives could a state in isolation attempt to do. We were going to try and limit the level of inquiry to what we can do now.

Dean: If we limit ourselves and our thinking, we will limit our abilities. I think there are things we can do if we put our minds to it in Kansas. So I just would invite the council to think more grandly and do some of these things.

Frahm: I would encourage that thinking as well. I believe several of us are frustrated that we are studying things to death. Now we are in the process of developing these

issues into policy suggestions. Our next meeting will have real specific things to deal with. Members are encouraged to join in the work sessions.

Harkins: Most people here are involved in a business enterprise of one type or another. Everyone likes to have a view of the future they are trying to create, and put interim steps to a longer goal. If we don't have that vision, we aren't sure about our short-term vision. These short-term incremental proposals are out of context without any common view of what we are trying to create. That is a complicated challenge. If we added that dimension to this planning process, I would see it as a parallel activity to these incremental projects we are taking. It would require a retreat environment to allow the KEC to sit down and discuss the future of energy issues in Kansas – but where are the boundaries? We are dealing with a high level of ambiguity with our energy future.

Frahm: Those of you on the council feel that is a direction we ought to add, please visit with staff. I think we have done good work at this stage in the process. I would like to thank everyone for being here.

Other business, announcements
Brosius: We do have a new KEC website at www.kec.kansas.gov . There will be a redirect at the old website and the transition may be slow.

The next meeting will be on August 30 at the KCC hearing room. If you are unable to make work sessions, we can hook you up through conference calls.

The meeting was adjourned at 12:15 p.m.