Minutes of the Kansas Energy Council
December 13, 2006, 10:00 a.m. to 4 p.m.

KEC Members Attending

Ken Frahm, Chair	Carl Holmes	David Springe
Richard Anderson	Jeff Kennedy	Josh Svaty
Liz Brosius	Greg Krissek	Mark Taddiken
Tim Carr	Stuart Lowry	Michael Volker
David Dayvault	Galen B. Menard	Steve Weatherford
Sarah Dean	Gene Merry	Curt Wright
Joe Dick	Brian Moline	
Steve Dillard	Richard Nelson	Steve Johnson (advisor)
Jay Emler	Adrian Polansky	Mark Parkinson (Lt.
Ron Hammerschmidt [for Roderick Bremby]	Mark Schreiber	Governor-elect)
	Tom Sloan	
Joe Harkins	Bruce Snead	

Opening Remarks

KEC Chair Ken Frahm called the meeting to order at 10:10 a.m.

Discussion and possible action on revised final drafts for the 2007 Kansas Energy Plan

Energy Conservation – Establish Statewide Utility-operated Energy Education and Conservation Promotion Programs

Liz Brosius noted the changes that had been made since the November meeting and asked if there were questions. Initially, there were no questions, so Frahm asked if it would be appropriate for the council to vote on the entire draft. Brosius suggested that the vote be limited to the recommendation to establish the statewide utility-operated programs.

David Springe asked why gas utilities weren't included, and Brosius said that to avoid duplication of program delivery to the same customers, only electric utilities were included; however, participation from the gas utilities was essential and they are included in the advisory group. She further explained that not all Kansas citizens had natural gas service but almost all had electric.

Bruce Snead moved that the recommendation be adopted, and Steve Weatherford seconded. The council unanimously approved the recommendation. Brian Moline noted that he would not be voting, unless otherwise noted.

Rick Anderson raised the question of auditing—how do we get rid of the program if it doesn't work? Harkins noted that the Legislature could kill the program if it was not happy with the results. Carl Holmes suggested that the legislation require an annual report be submitted to the House and Senate Utilities committee, and Brosius said she

would add a note to the plan. Anderson moves that this change be made, and Steve Dillard seconded. The council voted unanimously to add a reporting provision.

Energy Conservation – Amend Existing Law Relating to Energy Efficiency Disclosure on New Homes

Brosius gave brief overview of this recommendation and asked for questions. Holmes asked whether the IECC standard needed to be 2003 or 2006. Snead said that he was checking into this and would get back to the staff. Holmes also pointed out that any changes in standards needed to go through Legislative Rules and Regulations. Frahm asked for a vote and the Council unanimously approved changing the language to include a provision for Rules and Regulations. Snead moved that the recommendation be adopted and Weatherford seconded. The council unanimously approved the recommendation.

Energy Conservation – Monitor the Kansas Corporation Commission's Ongoing Energy Efficiency Investigations to Determine Need for Further investigation of Rate Design and Other Energy Efficiency Issues

Brosius reviewed the recommendation to monitor the KCC dockets on energy efficiency. Springe said he felt that the section discussing utility rate design was editorial in nature and should be removed. Michael Volker agreed and the Council voted unanimously to remove the descriptive paragraphs. Moline noted that the comment period for the generic docket on energy efficiency was taking longer than originally anticipated. Snead asked that the comments be made available, and Moline noted that all the comments were accessible to the public. Springe moved that recommendation be adopted, Mark Schreiber seconded, and the Council voted unanimously to do this.

Energy Conservation – Encourage Local Units of Government to Adopt minimum Energy Efficiency Standards for New Construction

Brosius highlighted the tasks for the Kansas Energy Office associated with this recommendation—to survey local county and municipal ordinances to ascertain the current status of such standards and codes and to work with a task force to develop model energy codes. Sarah Dean asked about the timeline for these tasks and whether the Council could receive an update in June or July? Harkins said the KEC would be updated at the June meeting. Weatherford asked if the listed options should reference both the 2003 and 2006 versions of the IECC. Snead said that he thought that it would be better to stick with 2003 based on the information he had at that time (though he would look into it further). Merry moved to approve the recommendation, Schreiber seconded , and the Council voted unanimously to approve this recommendation.

Energy Conservation – Encourage Utility Implementation of PAYS® (Pay As You Serve) and PAYS-type Pilot Programs

Following Brosius' review of the recommendation, Springe clarified that this was not a recommendation for legislation to require pilot programs. Brosius noted that this recommendation was strictly voluntary, that no legislation was being called for, and that in addition to the PAYS® program, the recommendation called for pilots of similar financing programs. Volker moved to approve the recommendation, Lowry seconded, and the Council voted unanimously to approve the recommendation.

Wind Energy

Harkins said that the draft had been modified since the last KEC meeting on November 15 and reflected the two options that the Council had requested. He noted that the options were not mutually exclusive.

Harkins asked Holmes to give the Council an overview of the legislative incentives he was working on (Option 2 in the draft recommendation). Holmes said that he had a meeting the next day, on December 14th at 9:00 a.m., to further discuss potential incentives. Holmes explained that they had defined Community Wind as anything less than 20 MW.

Springe asked how the KEC could adopt such a broadly worded recommendation, without knowing the specifics of the proposed legislation. Harkins said Option 2 included examples, but did not embrace any specific subsidy. Dean said she felt the wording was a kind of blank check endorsement that she couldn't support.

Following further discussion, Parkinson suggested that the main differences between the options was that Option 1 placed the funding burden on the ratepayers whose utilities incorporated wind into their portfolio, and Option 2 placed the funding more broadly on all Kansas taxpayers. He added that both options were worth consideration and endorsement.

Various Council members expressed concerns about the broad wording of Option 2 and the lack of Council study and discussion of the implications of the various incentives. They noted that these concerns were not an indication of lack of support for legislation that Holmes might propose, but rather the wish to avoid endorsing something that hadn't been finalized and discussed earlier in the year.

Tom Sloan suggested revised language for Option 2: "The Governor and Legislature shall determine if and how State- and consumer-funded support should be structured to stimulate renewable energy development in Kansas." Emler suggested that the recommendation should be limited to wind energy not renewable energy. Sloan said that he preferred renewable due to his knowledge of people's interest in solar and other forms of renewable energy, but Frahm suggested that it only deal with wind. Brosius noted that the Council in 2006 had focused on wind, not all renewables. The Council voted to approve Sloan's revised language, with the amendment to limit it to wind. Sloan dissented.

The Council discussed Option 1, which called for legislation granting the KCC the authority to consider the advantages of wind-generated electricity in their review process. Some suggested that the KCC already had this authority and no legislation was needed. Others argued that such a law would provide needed clarification. Harkins suggested that the recommendation be modified so as to leave open the question of legal authority. Following further discussion and debate on this issue, the Council voted to direct the recommendation to the KCC, not the Legislature. The motion passed unanimously.

Dean asked that a minority report that she had written and submitted to staff and the Chair be attached to the wind energy section of the energy plan. Frahm noted that the council had not read this report and others expressed concerns about incorporating minority reports into the KEC's annual plans. Taddiken suggested it be attached to the minutes, and Dean accepted that compromise (see Attachment 1, at the end of the minutes).

IGCC Coal Power Plants, in Association with Carbon Dioxide Capture

Harkins said the recommendations for IGCC coal power plant development were analogous to those just discussed for wind energy and suggested they be amended in the same ways. Frahm agreed with that suggestion. Harkins noted that he was not trying to curtail discussion. Holmes said that the fourth item under "Existing Policies and Programs" needed to be deleted, and Brosius said she would make that change. Lowry moves that these recommendations be amended as with the wind energy recommendations and approved, Tim Carr seconded, and the Council approved this unanimously.

Energy Use in the Transportation Sector

Brosius reviewed minor changes in the transportation plan draft from the November meeting. There were no questions or further discussion. Steve Dillard moved, Jeff Kennedy seconded, and the Council voted unanimously to approve the administrative recommendations in the transportation sector.

Energy Use in the Agricultural Sector

Harkins provided a brief overview of the recommendations for promoting no-till agriculture, noting that little had changed from previous discussions of this draft. The Council voted unanimously to adopt this recommendation.

Lunch break

Frahm reconvened the meeting at 1:00 p.m.

Chart Book overview

Brosius displayed the online prototype of the charts and graphs. Taddiken asked if Council members could send updates or suggestions for additional graphs and charts, and Brosius noted that the Chart Book was a living document and would be continually updated and available online. She said that the final version would be ready in several weeks.

Discussion and selection of 2007 planning priorities

Harkins briefly discussed the one-page list of potential planning priorities, noting that the biomass topic had already been identified as a planning priority, and that it was not accidental that staff had put "Guiding principles and goals" and "Energy efficiency and conservation" near the top of the list.

Frahm suggested that perhaps the Council should develop additional standing committees for guiding principles and goals and energy conservation and efficiency.

Gene Merry said that would be happy to head a nuclear energy committee. Richard Nelson suggested he would like to see a committed on combined heat and power, and Carr suggested that integrated energy systems be included in that topic. Carr suggested that the coalbed methane topic be deleted and replaced with unconventional resources (e.g., low Btu gas). Svaty said he would like to chair the guiding principles and goals committee.

Dean asked if the council was not already committed to a further study of RPS. Harkins said that the Council currently had this on hold. She also suggested adding Community Wind to the list of potential topics.

Regarding topics for presentations at KEC meetings, Curt Wright said that he could get some reports from the bus study of KU and Haskell and Johnson County Community College. Weatherford wanted a report on the Burlington Northern intermodal facility at Gardner. Brosius said she had suggested that Tim Carr give a presentation on carbon sequestration. It was also suggested that the Council hear a presentation on the status of energy research going on at Regents institutions.

Frahm returned the discussion to the selection of planning priorities for 2007. Dillard suggested everyone in the council get two choices or the council could just focus on the first three topics. Parkinson suggested that focusing on goals was important and that the Council could just focus on the first three topics and then focus on other topics later. Dayvault recommended that standing committees still be supported with background information from consultants and/or staff research.

Parkinson proposed establishing three standing committees (biomass, goals, and energy conservation) to work on the first three topics. Frahm asked that anyone interested in being on a committee contact Brosius ASAP, so that he could make appointments early in the new year. Harkins suggested sending out a ballot to rank additional planning and presentation topics. The Council approved all of these proposals.

Sloan would like to know what energy research is going on at educational institutions. Parkinson wondered about occasionally having a meeting not in Topeka but at a landmark location.

There was a brief discussion of the energy forecasts that had previously been included in the KEC annual energy report. It was agreed that the Kansas Energy Office should develop and maintain forecasts; Volker noted that the forecasts were updated last year and did not require an annual update.

Other business

Brosius reviewed the 2007 draft planning schedule, noting that meetings were tentatively scheduled on Wednesdays, since that seemed to work well this year. There was

discussion about the timing of the first meeting, tentatively scheduled for February 26, 2007. The legislative members said they would get back with staff once the calendar had been set in early January. Other changes were suggested and made to the meeting schedule (see KEC web site: http://www.kec.kansas.gov/meetings.htm).

Frahm noted that the committees will need to be formed in early January so that they can work for the first KEC meeting of the 2007 year.

Parkinson said, on behalf of the Governor, that they truly appreciate the commitment, time, and effort of the Council members. Parkinson added that he understands that there are some people who don't understand where the council is going or that there are concerns and he welcomes the criticism.

Adjourn

Attachment 1: KEC Wind Energy Plan Minority Report

Sarah S. Dean, Kansas Energy Council Member, December 13, 2006

GOAL: Develop 1000 MW Wind Energy in Kansas

Governor Sebelius asked the KCC to "look at the full range of benefits that renewable energy brings to Kansas and how those relate to additional investment that may be needed to meet the goal I have outlined for our electric industry." The KCC study[1] is partially responsive to the Governor's request to look at the full range of benefits. Although it looks at integrating wind into existing pulverized coal fired plants, it does not recognize other benefits within a "full range" requested by Governor Sebelius, such as:

(1) Compared to new pulverized coal, new wind provides approximately 2.5 times more local jobs, local purchases, and indirect economic effects.[2]
(2) Since wind turbines are much smaller than coal plants, wind expansion can take place in much smaller increments, thereby reducing the risk of future stranded investment which would adversely affect ratepayers.
(3) With community wind especially it's much easier to distribute the economic benefits of jobs, purchases, and indirect economic effects democratically among many communities and owners.
(4) Whereas continued use of coal perpetuates current energy dependence, shifting toward wind develops the long-range possibility of very large inexhaustible energy exports.

Several of these benefits were described in testimony at KEC's hearing in October and KDHE's October/November hearings.

To recognize the true potential of wind-electricity – its "full range of benefits," it is important to recognize that it's possible to expand system capacity with new wind turbines instead of new coal plants. As far as I can tell, the KCC study does not recognize that wind turbines can substitute for coal plants, as described by Southwest Power Pool Generation Working Group 2004, "Wind Power Capacity Accreditation."[3] New coal plants impose public health and environmental burdens on Kansas citizens that cannot be justified when wind can perform the same function without such burdens. Wind generators should be widely disbursed to take advantage of different weather in different places. Thus, initially, the state should provide incentives that favor community-scale wind farms, and that favor local ownership and self-sufficiency. Community wind is not

[1] A study reviewed by KEC staff. The study was not made available to KEC members or the public. Therefore my comments on the study are from conversations, not a reading or full evaluation by me.

[2] S. Tegen, Technical Report NREL/TP-500-37720, May 2006 (www.nrel.gov/docs/fy06osti/37720.pdf).

[3] (www.spp.org/publications/WindWhite04Sep8_rev5.pdf) This prescribes a recipe for computing the capacity value associated with a proposed wind addition. It says: "The concept is to have a value for wind capacity credit wherein the capacity credit holder could expect that value or higher to be there 85% or more of the time, similar to a GT [Gas Turbine]...By using this procedure, it is possible to obtain a dependable capacity value for wind that provides reliable service to customers, while neither promoting nor being an obstacle to wind. In other words, it is treating wind on a fair basis when compared to other thermal units."

a quaint side show. It is the seed for a widespread economic development activity that will increase the prosperity for all Kansans.

Action Needed

In the immediate future, state incentives and accommodations should promote a scale of development that corresponds to the capacity of nearby existing peaking equipment[4] and adjacent existing transmission lines. This will allow a broad range of Kansans to become acclimated with the operation and use of wind-electric power systems without requiring a large amount of speculative investment in backup generation and new transmission lines. Initial local scale and overall low penetration of wind into the state-wide electrical network will enable existing facilities and existing operational practices to accommodate the relatively small impact of wind variations, just like they accommodate load variations.[5]

Legislation should be designed to encourage development of community wind at a rate that will allow new wind to provide whatever additional capacity is needed to accommodate changing electrical needs in Kansas. Legislation should simultaneously promote more energy conservation, more energy efficiency, and the widespread implementation of both time-of-day metering and active demand limiting – as suggested in KEC's current "Draft Conservation & Efficiency" policy initiative. The combination of conservation, efficiency, and active demand limiting incentives will slow the growth in demand while community wind provides a graceful migration toward wind energy as the source.

Moving in a New Direction - Implementing a "Full Range of Benefits"

As wind penetration grows, it will contribute more to system capacity,[6] and over time fossil fuel use will shift gradually from base-load to peaking. Eventually, clean alternative energy sources will use energy storage to provide their own peaking. If we implement this system design over the next thirty years, Kansas wind power will improve our public health and help us reduce the climatic destabilization that will dry out Western Kansas if global warming is not arrested. Wind development will lead to a prosperous future in which Kansas generates almost 30% of the electric power for the whole United States - using a clean fuel that never depletes.

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[4] "Kansas Energy Abstract 2003," Technical Series 18, published by the Kansas Geological Survey in association with the State Energy Resources Coordination Council.

[5] DeMeo, Grant, Milligan, and Schuerger, DeMeo, Grant, Milligan, and Schuerger, "Wind Plant Integration," *IEEE Power & Energy*, Vol. 3, No. 6, November/December, 2005, pp 39-46, table 1. Studies in Minnesota, California, Wisconsin, Oregon and Wyoming, New York, and Colorado indicate that for wind capacity penetration averaging 12% (Governor Sebelius's 1000 MW goal is 10%), incremental system operating costs average only 0.27 cents / kWh.

[6] DeMeo, Grant, Milligan, and Schuerger, DeMeo, Grant, Milligan, and Schuerger, figure 1. With an isolated wind farm and present load profiles, the capacity value for new wind is relatively low (≈7%), but with widely distributed wind and future night-peaking load profiles associated with battery charging, the capacity value could be much higher (≈30%).